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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Fraud In Government Programs: --How Extensive Is It? --How Can It Be Controlled?

Volume II

During the past few years, Members of Congress, Federal administrators, and the public have become increasingly concerned about fraud against the Federal Government. Although it is recognized that more must be done to prevent fraud, effective actions have often been hampered by a lack of information about the problem.

This is the second of a three-volume report on the results of a comprehensive review of the nature, extent, and cost of identified fraud committed against the Government at 21 Federal agencies. The review addresses five basic questions: (1) What types of fraud are committed? (2) Who commits it? (3) How much is it costing? (4) How is it discovered? (5) What happens to those who do it?

GAO believes this information, which was summarized in volume I (AFMD-81-57), will provide a better basis for planning effective action, preventing and detecting fraud, and determining appropriate punishment for those who defraud the Government.



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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

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To the President of the Senate and the
Speaker of the House of Representatives

This is the second volume of a three-volume report that discusses the results of a statistical analysis of fraud and other illegal activities affecting 21 Federal agencies. The analysis was undertaken by the Fraud Prevention Task Force we established to respond to growing public concern over abuses and misuses of taxpayers' money.

Our findings, conclusions, and recommendations were presented in volume I. This volume provides a detailed statistical analysis of the data we collected. Volume III, to be issued in the near future, will contain fraud profiles for each agency.

Copies of the report are being sent to the Director of the Office of Management and Budget and to the heads of the agencies covered in the study.

Milton J. Rowland

Acting Comptroller General
of the United States



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ABBREVIATIONS

GAO	General Accounting Office
HEW	Department of Health, Education, and Welfare

CHAPTER 1

SUMMARY

BACKGROUND

Concern has been growing during the past few years among Members of Congress, Federal administrators, and the public about fraud against the Federal Government--willful wrongdoing affecting the Government's interests. Although it is generally recognized that more must be done to prevent fraud, effective actions have often been hampered by a lack of information about the problem.

In September 1978, we reported on fraud detection activities in seven Federal agencies. ^{1/} We concluded that agencies did not have the management information systems needed to properly monitor and deal with the problem. The agencies also had not made fraud detection a high priority. As a follow-on to our September 1978 report, we reviewed fraud cases in 21 Federal agencies.

The major purpose of the review was to determine the extent and characteristics of identified fraud in Federal agencies and to provide a better base for future efforts to detect and prevent fraud and illegal activities committed against the Government. Our findings, conclusions, and recommendations were presented in volume I of our three-part report. This volume gives the details of our analysis of the estimated 77,211 fraud cases identified at 21 Federal agencies during the period October 1, 1976, to March 31, 1979. By the term "fraud cases" we mean those cases of actual fraud within the meaning of the definition on the next page, as well as suspected fraud. The data presented were based on information collected from a random sampling of 3,227 fraud cases at the 21 agencies. The figures in the tables used in this report may not add to the totals presented due to rounding and weighting of the data. Also, in a few instances, again because of rounding, there are slight variations between numbers presented on graphs and those used in the body of the report. For information on our study approach, including the sampling methodology and scope, see appendix I.

DEFINITION OF FRAUD

As discussed in volume I, there is no standard definition of fraud. We found that the Department of Justice and each Federal agency had its own list of activities it considered to be fraud. The term fraud has never been precisely defined because of the difficulty in establishing a definition that encompasses all the potential types of fraud that can be committed.

^{1/}"Federal Agencies Can, and Should, Do More To Combat Fraud In Government Programs," GGD-78-62, Sept. 19, 1978.

In order to collect comparable data on a consistent basis from each agency covered in our review we adopted the following Department of Defense definition of fraud and illegal activities.

". . . any willful or conscious wrongdoing that adversely affects the Government's interests. It includes, but is not limited to, acts of dishonesty which contribute to a loss or injury to the Government. The following are some examples of fraud or other unlawful activity: falsification of documents, such as time cards or purchase orders; charging personal expenses to Government contracts; diversion of Government property or funds for unauthorized uses; submission of false claims, such as invoices for services not performed or materials not delivered; intentional mischarging or misallocation of contract costs; deceit by suppression of the truth; regulatory or statutory violations, such as bribery, theft of Government property, graft, conflict of interest, and gratuities; and any attempt or conspiracy to engage in or use the above devices."

WHAT TYPES OF FRAUD WERE COMMITTED AGAINST THE FEDERAL GOVERNMENT?

We identified 125 types of fraud, which we combined into nine major types or categories. Thefts accounted for almost half the fraud cases and false statements accounted for about another 25 percent. The rest of the cases covered a wide variety of fraudulent activities including extortion, forgery, kickbacks or bribes, and nonperformance of contract terms.

Most thefts involved the loss of equipment, personal property, mail, cash, or supplies. Items were stolen from Government buildings and installations as well as contractor plants. In about 80 percent of the cases theft was committed only once.

False statements were made in obtaining Federal assistance or benefits under many different Federal programs. They were made in applying for such things as loans, education assistance, disability benefits, survivor benefits, and job training benefits. In most false statements people overstated or understated their income, assets, liabilities, or expenses; or made false certifications or false statements about their marital status, number of dependents, disabilities, arrests, or travel expenses. More than one false statement was made in most cases.

Most fraud cases fell into the functional areas of financial assistance to individuals (28 percent), inventory controls (25 percent), personal property management (13 percent), and mail service (10 percent). These four functional areas accounted for 75 percent of the fraud cases.

Almost two-thirds of the fraud cases in the functional areas of financial assistance to individuals and loans and loan guarantees involved false statements. On the other hand a very high percentage of the fraud cases in the functional areas of inventory controls (88 percent), personal property, (98 percent), mail service (76 percent), and cash controls (68 percent) involved theft.

About 55 percent of the estimated 77,211 known fraud cases were in the civil agencies and the remaining 45 percent were in the defense agencies. The majority (87 percent) of the fraud cases were in the Department of Defense, Social Security Administration, U.S. Postal Service, and Department of Agriculture.

Five agencies accounted for nearly all the false statement cases. They were the Social Security Administration, Department of Defense, Veterans Administration, Department of Agriculture, and Department of Housing and Urban Development. The Social Security Administration alone accounted for about 60 percent of the total false statement cases. This is not surprising since most of the programs administered by this agency provide benefits to individuals based on statements made by them in their applications.

Two agencies (Department of Defense and U.S. Postal Service) accounted for the vast majority of theft cases. This is not unexpected since the Department of Defense's mission requires it to order, supply, and maintain large inventories of real property, equipment, and supplies, and the U.S. Postal Service's mission requires it to handle large volumes of mail each year.

WHO COMMITTED FRAUD AGAINST THE GOVERNMENT?

Fraud is committed against the Government by the people it employs, the people it does business with, and the people it tries to help. During the 2-1/2 years covered by our review, fraud was committed by:

- Federal employees (29 percent).
- Individual recipients of Federal assistance (18 percent).
- Corporate or business entities (12 percent).
- Other individual citizens (8 percent).
- State and local government contractor or grantee personnel (3 percent).
- Unknown (30 percent).

As expected, the majority of the fraud cases involving work hour abuses and private use of Government property were committed by Federal employees. Approximately three-fourths of the false

statement cases involved those made by an individual recipient of Federal assistance or by other individual citizens. In almost 60 percent of the theft cases the participants were unknown.

Most fraud committed against the Government by Federal employees was in the functional areas of inventory control and mail service. The majority of the fraud committed by individual recipients of Federal assistance and corporate or business entities fell into the functional area of financial assistance to individuals. Most fraud in which participants were unknown was in inventory control.

The participants in fraud varied considerably from one agency to another. This is probably due to the differences in agency mission, objectives, and programs. For example, about 75 percent of the fraud committed against the Small Business Administration was done by corporate or business entities. This is consistent with the fact that the mission involved is to help small businesses. Approximately 75 percent of the fraud at the Department of Commerce, Law Enforcement Assistance Administration (Department of Justice), and Community Services Administration was committed by State and local government or Federal contractor or grantee personnel. Again this was not unexpected since most of the programs and functions of these agencies are directed to or carried out by these types of non-Federal organizations. Participants were unknown in most of the fraud cases at the General Services Administration and the Department of Defense. This may be attributed to the fact that these agencies maintain large inventories of equipment and supplies and are therefore more prone to fraud involving theft, in which the suspect is often never identified.

About 51 percent of the Federal employees who committed fraud were members of the armed forces and approximately 26 percent were clerical workers. Others were program officials, skilled or semi-skilled workers, laborers, investigators, inspectors, or law enforcement officers. Two-thirds of the fraud committed by members of the armed forces and clerical workers were thefts.

While 29 percent of the fraud included in our study was committed by Federal employees, these employees represented only four-tenths of 1 percent of the total workers in the 21 Federal agencies we reviewed. It should also be noted that our review dealt with cases investigated by Federal agencies, as explained in appendix I of our report (p. 95). If recipient fraud investigated at the State and local levels in such programs as food stamps and Aid to Families With Dependent Children had been included in our statistical universe, the percentage of Federal employees in the statistics would be much smaller.

WHAT WAS THE COST OF FRAUD COMMITTED AGAINST THE GOVERNMENT?

The total cost of fraud will never be known because of the difficulty in estimating the monetary loss due to fraud cases that

remain undetected. For the 77,211 known cases of fraud that occurred during the 2-1/2 years covered by our review, we estimate there were monetary losses totaling between \$150 million and \$220 million in 48,819 (63 percent) of the fraud cases. In the remaining 28,390 cases (37 percent) there was no monetary loss. Our estimate does not include cases involving Federal funds where State and local jurisdictions had primary investigatory responsibility.

Losses were detected in every agency in our review and in all types of activities within these agencies. The individual monetary losses varied from \$1 to as high as \$2 million, but over half the losses were \$1,000 or less. We compared the monetary losses with the type of fraud, functional area, participants involved, and Federal agency. This analysis showed that:

- Losses in theft and false statement cases were about \$47 million and \$86 million, respectively; together they accounted for 71 percent of the total monetary loss.
- About \$41 million, or over 20 percent of the total, was lost in the functional area of financial assistance to individuals.
- Individual recipients of financial assistance and other individual citizens committed fraud that cost the Government \$56 million, or 30 percent of the total monetary loss.
- The civil agencies accounted for about \$151 million of the total losses and the Defense agencies accounted for about \$35 million.

Of the 28,390 cases that did not have a monetary loss, 17,060 cases had other effects, such as individuals not receiving the benefits Congress intended them to receive.

HOW WAS FRAUD DISCOVERED OR DETECTED?

Federal employees discovered over a third of the frauds during the course of their normal day-to-day activities. They detected another 20 percent through compliance or eligibility reviews. The rest were detected in a variety of ways.

Agencies detected most (64 percent) of the frauds within 3 months of occurrence; however, about 9 percent went undetected for 2 years or more.

WHAT HAPPENED TO THOSE WHO COMMITTED FRAUD?

The Government has both administrative and legal remedies available to use against those who defraud Federal programs. Even so, we found that individuals were prosecuted in only 5,877 (11.7 percent) of the 50,200 cases in which suspects were identified. This includes cases prosecuted by the Department of Justice

and by the Department of Defense through military court-martials. In 34,640 (69 percent) of the cases agencies took administrative action.

Administrative actions

The most common administrative actions taken against Federal employees who committed fraud were establishment of a formal loss recovery plan (25 percent) and dismissal (22 percent).

In cases involving non-Federal Government organizations and individuals, the most common actions were attempts to recover the loss (40 percent) and issuance of warning letters (14 percent). In 13 percent of the cases individuals or organizations were declared ineligible to participate in the Federal program involved in the fraud, and in another 10 percent they were suspended from doing business with the Federal Government.

Legal actions

The Department of Justice criminally prosecuted individuals in 4,342 (74 percent) of 5,877 cases where legal action was taken. In 682 cases (11 percent), Justice handled the cases through pretrial diversion. Pretrial diversion is a voluntary program that removes suspects from the criminal process before trial and places them in a program of supervision, usually by the Federal Probation Service, for a specified period. In another 825 (14 percent) of the cases the military services court-martialed servicemen and women. The Department of Justice took civil action in only 28 (1 percent) of the cases.

The Department of Justice was successful in 95 percent of the cases it prosecuted. The average sentence was over 2 years. However, courts often suspended large portions of sentences or granted probation. As a result, the average time actually to be served in prison was reduced to about 14 months with over half the defendants sentenced to serve 6 months or less. Information on how much time the individuals actually spent in prison before parole was not readily available.

CHAPTER 2

WHAT TYPES OF FRAUD WERE COMMITTED

AGAINST THE GOVERNMENT?

During the 2-1/2 years covered by our review, we estimate that 77,211 known cases of fraud were committed against the Federal Government at the 21 agencies reviewed.

MAJOR TYPES OF FRAUD

We identified more than 125 different types of fraud during our review. The type of fraud varied considerably from the theft of equipment and supplies to the falsification of data submitted in applying for Federal financial assistance or benefits. We combined the various types of fraud into nine major categories. Almost 50 percent of the fraud cases involved theft while slightly more than 25 percent involved false statements. The following table shows the number and percentage of cases for each major type of known fraud for the period October 1, 1976, to March 31, 1979.

Table 1

Major Types of Known Fraud

<u>Type</u>	<u>Number</u>	<u>Percent</u>
Work hour abuse	1,179	1.5
Private use of Government property	773	1.0
Extortion	504	0.7
Forgery	1,863	2.4
Kickback/bribe	844	1.1
False statement	20,647	26.7
Nonperformance of contract terms	448	0.6
Theft	37,518	48.6
Miscellaneous fraud (note a)	<u>13,434</u>	<u>17.4</u>
Total	<u>77,211</u>	<u>100.0</u>

a/Includes 6,026 cases of food stamp irregularities investigated by the Department of Agriculture.

As noted in the definition of fraud, theft is considered a type of fraud or illegal activity. It is viewed as a willful or conscious wrongdoing that adversely affects the Government's interests. As shown in the preceding table, theft accounted for almost half the fraud cases identified by the agencies included in our review.

While most of the known fraud cases involved only one type of fraud, several different types of fraud were often committed against the Federal Government in a single case. Two or more types of fraud were involved in about 17 percent of the cases. The following table shows how many types of fraud were involved in the 77,211 cases.

Table 2

Number of Different Types of Fraud
Involved in Fraud Cases

<u>Number of different types of fraud</u>	<u>Times encountered</u>	<u>Percent</u>
1	63,650	82.4
2	11,083	14.4
3 to 5	2,232	2.9
6 to 1	144	0.2
11 to 25	32	(a)
Unknown	<u>68</u>	<u>0.1</u>
Total	<u>77,211</u>	<u>100.0</u>

a/Less than 0.1 percent.

Discussions of the type of fraud in the remainder of the report refer to only the principal type of fraud in those cases where more than one type of fraud was involved.

Appendix V shows the number and percentage of fraud cases for each of the more than 125 types of fraud in our sample of 3,227 fraud cases and the projected universe of 77,211 fraud cases.

Percentage of fraud cases involving
thefts or false statements

Seventy-five percent of the fraud cases involved a theft or false statement. Most thefts were of equipment or personal property. Equipment was stolen from Government buildings and installations as well as contractor plants. Personal property is defined as property belonging to Federal employees, either civilian or military. The Department of Defense and other Federal agencies have general authority to reimburse their personnel for personal property stolen from, or damaged in, living quarters assigned by the Government up to a maximum of \$15,000. When property is stolen from them, employees can submit a claim to the Government and receive partial or full reimbursement for their losses. Most of the stolen personal property, such as cash, clothing, radios, and stereos, belonged to military personnel and was stolen from them on Government property, usually their barracks or military housing. Table 3 on page 9 shows the number and percentage of theft cases for the various types of property stolen.

Table 3

Type of Property Stolen in Theft Cases

<u>Property stolen</u>	<u>Number of cases</u>	<u>Percent</u>
Equipment	10,981	29.3
Personal property	9,143	24.4
Mail	3,915	10.4
Cash	3,768	10.0
Supplies	2,575	6.9
Other property	<u>7,135</u>	<u>19.0</u>
Total	<u>37,517</u>	<u>100.0</u>

False statements were made in obtaining financial assistance or benefits under many different Federal programs. Some of them were made in applications for loans, education assistance, disability benefits, survivor benefits, and job training benefits. In most false statements people overstated or understated their income, assets, liabilities, or expenses. The following table shows the number and percentage of fraud cases for the principal types of false statements.

Table 4

Summary of Major Types of False Statements

<u>False statements</u>	<u>Number of cases</u>	<u>Percent</u>
Over or understatement of income, assets, liabilities, or expenses	8,699	42.1
False certifications	1,896	9.2
False statements of marital status	1,456	7.1
Over or understatement of dependents	1,328	6.4
False disability claims	1,079	5.2
Cheating on travel expenses	1,069	5.2
False statements about arrests	905	4.4
False enrollment data	832	4.0
Other false statements	<u>3,385</u>	<u>16.4</u>
Total	<u>20,649</u>	<u>100.0</u>

Frequency of fraud activity

In about 60 percent of the fraud cases, the fraudulent act was committed only once. In the remaining cases, the fraudulent act occurred several times before the person committing the fraud was caught. Table 5 on page 10 shows the number of times fraud was committed before it was discovered or detected.

Table 5

Number of Times Fraudulent Act Was Committed
Before Detection

<u>Frequency of fraud activity</u>	<u>Number</u>	<u>Percent</u>
Once	46,281	59.9
2 to 5 times	11,454	14.8
6 to 10 times	3,670	4.8
11 to 15 times	2,068	2.7
16 to 20 times	1,435	1.9
21 to 25 times	1,358	1.8
Over 25 times	5,162	6.7
Unknown	5,781	7.5
Total	<u>77,211</u>	<u>100.0</u>

A comparison of the major types of fraud by the number of times the fraudulent act was committed shows that most of the theft cases involved only one act. An examination of the false statement cases disclosed that false statements were made once in only one-third of the cases and over 25 times in almost 20 percent of the cases. The following table shows the major type of fraud by the frequency of the fraudulent activity.

TABLE 6
MAJOR TYPE OF FRAUD BY FREQUENCY OF OCCURRENCE

FREQUENCY	MAJOR TYPE OF FRAUD									TOTAL PER CATEGORY
	<u>THEFT</u>	<u>FALSE STATEMENTS</u>	<u>OTHER TYPES OF FRAUD</u>	<u>FORGERY</u>	<u>WORK HOUR ABUSE</u>	<u>KICKBACK OR BRIBE</u>	<u>PRIVATE USE OF GOVERNMENT PROPERTY</u>	<u>EXTORTION</u>	<u>CONTRACT TERMS WERE NOT PERFORMED</u>	
ONCE										
NUMBER	30652	6847	6187	1075	383	480	361	181	117	46283
PERCENT	81.7	33.2	46.1	57.7	32.5	56.9	46.7	36.0	26.2	59.9
2 - 5 TIMES										
NUMBER	2629	3311	4532	358	274	140	68	94	47	11454
PERCENT	7.0	16.0	33.7	19.2	23.2	16.6	8.9	18.7	10.5	14.8
6 - 10 TIMES										
NUMBER	744	1685	899	166	72	27	5	60	12	3670
PERCENT	2.0	8.2	6.7	8.9	6.1	3.1	0.7	11.9	2.6	4.8
11 - 15 TIMES										
NUMBER	438	1536	43	6	26	3	6	-	9	2068
PERCENT	1.2	7.4	0.3	0.3	2.2	0.4	0.8	-	2.1	2.7
16 - 20 TIMES										
NUMBER	284	1071	28	13	24	1	-	-	14	1435
PERCENT	0.8	5.2	0.2	0.7	2.1	0.1	-	-	3.1	1.9
21 - 25 TIMES										
NUMBER	219	993	-	29	40	1	2	74	-	1358
PERCENT	0.6	4.8	-	1.5	3.4	0.1	0.3	14.6	-	1.8
OVER 25 TIMES										
NUMBER	396	3899	294	132	104	50	208	5	72	5163
PERCENT	1.1	18.9	2.2	7.1	8.8	6.0	26.9	1.1	16.2	6.7
UNKNOWN										
NUMBER	2158	1306	1453	83	254	141	122	89	176	5781
PERCENT	5.8	6.3	10.8	4.5	21.5	16.7	15.8	17.6	39.2	7.5
TOTAL										
NUMBER	37519	20648	13434	1863	1179	844	773	504	448	77211
PERCENT	100.0	100.0	100.0	100.0	100.0	99.9	100.0	100.0	99.9	100.0

FUNCTIONAL AREA

We also sought to determine the functional areas in which fraud occurred. The fraud cases were categorized as one of 20 different functional areas. Most of the cases fell into the functional areas of financial assistance to individuals (27.5 percent), inventory controls (25.2 percent), personal property management (12.9 percent), and mail service (10.1 percent). Together these four functional areas accounted for 75 percent of the cases in which fraud occurred. The following table shows the functional areas for the 77,211 fraud cases.

Table 7

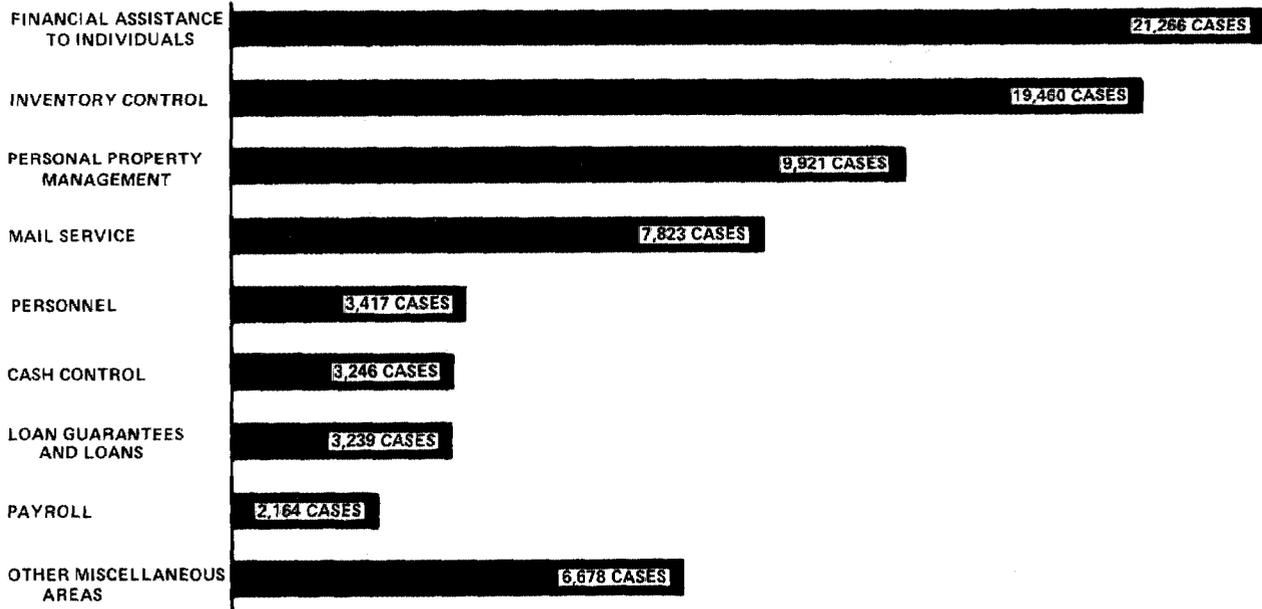
Functional Areas in Which Fraud was Committed

<u>Functional area</u>	<u>Number of cases</u>	<u>Percent</u>
Financial assistance to individuals	21,266	27.5
Inventory controls	19,460	25.2
Personal property management	9,921	12.8
Mail service	7,823	10.1
Personnel	3,417	4.4
Cash control	3,246	4.2
Loan guarantees	2,399	3.1
Payroll	2,164	2.8
Miscellaneous functional areas	1,581	2.0
Enforcement	1,209	1.6
Travel	1,170	1.5
Loans	840	1.1
Procurement monitoring	653	0.8
Property disposition	580	0.8
Administrative services	333	0.4
Grants	316	0.4
Procurement awarding	302	0.4
Health care or social services	254	0.3
Education and training	132	0.2
Unknown	148	0.2
Total	<u>77,211</u>	<u>100.0</u>

Because some of the categories accounted for only a small percentage of the fraud cases, they were combined for additional analysis. This resulted in the functional areas shown in the following chart.

All of the personal property management cases were in the Defense agencies and most of these cases involved the theft of property belonging to servicemen and women.

MAJOR FUNCTIONAL AREAS AFFECTED BY FRAUD



TYPE OF FRAUD BY FUNCTIONAL AREA

We next sought to determine what types of fraud were being committed in the various functional areas. We found that almost two-thirds of the fraud cases in the functional areas of financial assistance to individuals, loans and loan guarantees, and personnel involved false statements while a very high percentage of the fraud cases in the functional areas of inventory controls, personal property, mail service, and cash controls involved theft. The following two tables present data on the types of fraud and functional areas. The tables break out the data in two different ways. Table 8 shows the number and percentage of the types of fraud for each functional area. For example, 811 theft cases occurred in the functional area "individual financial aid" which represented 3.8 percent of the total cases in this functional area (the number of theft cases in the functional area divided by the total number of cases in the functional area). Table 9 shows the number and percentage of cases that occurred in the functional areas for each type of fraud. In other words, the same 811 theft cases in the functional area of "individual financial aid" represented 2.2 percent of the total theft cases (the number of theft cases in the functional area divided by the total number of theft cases).

TABLE 8
MAJOR TYPE OF FRAUD BY FUNCTIONAL AREA
(PERCENTAGES BASED ON ROW TOTALS)

FUNCTIONAL AREA	MAJOR TYPE OF FRAUD									TOTAL PER AGENCY	PERCENT OF TOTAL CASES
	THEFT	FALSE STATEMENTS	OTHER TYPES OF FRAUD	FORGERY	WORK HOUR ABUSE	KICKBACK OR BRIBE	PRIVATE USE OF GOVERNMENT PROPERTY	EXTORTION	CONTRACT TERMS WERE NOT PERFORMED		
INDIVIDUAL FINANCIAL AID											
NUMBER	811	13604	6178	369	-	6	1	296	2	21266	
PERCENT	3.8	64.0	29.1	1.7	-	(A)	(A)	1.4	(A)	100.0	27.5
INVENTORY CONTROL											
NUMBER	17025	2	2057	41	8	15	299	-	13	19460	
PERCENT	87.5	(A)	10.6	0.2	(A)	0.1	1.5	-	0.1	100.0	25.2
PERSONAL PROPERTY											
NUMBER	9738	13	169	-	-	-	-	-	-	9921	
PERCENT	98.2	0.1	1.7	-	-	-	-	-	-	100.0	12.8
MAIL SERVICE											
NUMBER	5981	134	1592	74	-	-	28	-	14	7824	
PERCENT	76.5	1.7	20.3	0.9	-	-	0.4	-	0.2	100.0	10.1
PERSONNEL											
NUMBER	411	2013	336	312	239	19	68	9	10	3417	
PERCENT	12.0	58.9	9.8	9.1	7.0	0.6	2.0	0.3	0.3	100.0	4.4
CASH CONTROL											
NUMBER	2198	25	914	108	-	-	-	-	1	3246	
PERCENT	67.7	0.8	28.2	3.3	-	-	-	-	(A)	100.0	4.2
LOAN GUARANTEES-LOANS											
NUMBER	9	2081	701	290	3	78	-	38	38	3239	
PERCENT	0.3	64.2	21.7	8.9	0.1	2.4	-	1.2	1.2	100.0	4.2
PAYROLL											
NUMBER	187	696	54	337	838	33	4	1	14	2164	
PERCENT	8.6	32.2	2.5	15.6	38.7	1.5	0.2	(A)	0.6	100.0	2.8
OTHER MISCELLANEOUS AREAS											
NUMBER	1074	2080	1372	332	90	691	372	160	356	6527	
PERCENT	16.5	31.9	21.0	5.1	1.4	10.6	5.7	2.4	5.4	100.0	8.5
UNKNOWN											
NUMBER	85	-	61	-	1	1	-	-	-	148	
PERCENT	57.3	-	41.3	-	0.7	0.7	-	-	-	100.0	0.2
TOTAL											
NUMBER	37519	20648	13434	1863	1179	844	773	504	448	77211	
PERCENT	48.6	26.7	17.4	2.4	1.5	1.1	1.0	0.7	0.6	100.0	100.0

▲/LESS THAN 0.1 PERCENT.

TABLE 9
MAJOR TYPE OF FRAUD BY FUNCTIONAL AREA
(PERCENTAGES BASED ON COLUMN TOTALS)

FUNCTIONAL AREA	MAJOR TYPE OF FRAUD									TOTAL PER AGENCY
	THEFT	FALSE STATEMENTS	OTHER TYPES OF FRAUD	FORGERY	WORK HOUR ABUSE	KICKBACK OR BRIBE	PRIVATE USE OF GOVERNMENT PROPERTY	EXTORTION	CONTRACT TERMS WERE NOT PERFORMED	
INDIVIDUAL FINANCIAL AID										
NUMBER	811	13604	6178	369	-	6	1	296	2	21266
PERCENT	2.2	65.9	46.0	19.8	-	0.7	0.1	58.7	0.4	27.5
INVENTORY CONTROL										
NUMBER	17025	2	2057	41	8	15	299	-	13	19460
PERCENT	45.4	(A)	15.3	2.2	0.7	1.8	38.7	-	2.9	25.2
PERSONAL PROPERTY										
NUMBER	9738	13	169	-	-	-	-	-	-	9924
PERCENT	26.0	0.1	1.3	-	-	-	-	-	-	12.8
MAIL SERVICE										
NUMBER	5981	134	1592	74	-	-	28	-	14	7824
PERCENT	15.9	0.6	11.8	4.0	-	-	3.7	-	3.2	10.1
PERSONNEL										
NUMBER	411	2013	336	312	239	19	68	9	10	3417
PERCENT	1.1	9.7	2.5	16.8	20.3	2.3	8.8	1.8	2.1	4.4
CASH CONTROL										
NUMBER	2198	25	914	108	-	-	-	-	1	3246
PERCENT	5.9	0.1	6.8	5.8	-	-	-	-	0.2	4.2
LOAN GUARANTEES-LOANS										
NUMBER	9	2081	701	290	3	78	-	38	38	3239
PERCENT	(A)	10.1	5.2	15.6	0.2	9.3	-	7.6	8.6	4.2
PAYROLL										
NUMBER	187	696	54	337	838	33	4	1	14	2164
PERCENT	0.5	3.4	0.4	18.1	71.1	3.9	0.5	0.2	3.1	2.8
OTHER MISCELLANEOUS AREAS										
NUMBER	1074	2080	1372	332	90	691	372	160	356	6527
PERCENT	2.9	10.1	10.2	17.8	7.6	81.9	48.1	31.7	79.4	8.5
UNKNOWN										
NUMBER	85	-	61	-	1	1	-	-	-	148
PERCENT	0.2	-	0.5	-	0.1	0.1	-	-	-	0.2
TOTAL										
NUMBER	37519	20648	13434	1863	1179	844	773	504	448	77211
PERCENT	100.0	100.0	100.0	100.0	100.0	99.9	100.0	100.0	99.9	100.0

A LESS THAN 0.1 PERCENT.

A closer examination of the data in table 8 reveals that approximately 63 percent of the total fraud cases fall into one of four combinations of functional area and fraud type out of a possible 90 such combinations. This data is summarized below.

Table 10

Combinations of Functional Area and Major Type of Fraud
Accounting for Most of the Fraud Cases

<u>Functional area</u>	<u>Type of fraud</u>	<u>Number</u>	<u>Percentage of total cases</u>
Inventory controls	Theft	17,025	22.0
Financial aid to individuals (note a)	False statements	15,685	20.3
Personal property	Theft	9,738	12.6
Mail service	Theft	<u>5,981</u>	<u>7.7</u>
Total for specified combinations		48,429	62.7
Other functional areas	Other types of fraud	<u>28,782</u>	<u>37.3</u>
Total cases		<u>77,211</u>	<u>100.0</u>

a/Including loans and loan guarantees.

NUMBER OF FRAUD CASES BY AGENCY

Analysis and conclusions based on data presented in agency-by-agency comparisons can sometimes be misinterpreted or misleading. If the number of fraud cases at a particular agency seems high, it does not necessarily mean more fraud is committed at that agency. It may be high because that agency is more conscious of fraud and abuse occurring in its programs and is more alert in detecting and investigating it than other agencies. It might also mean that the programs or activities that some agencies are authorized to carry out are more susceptible to fraud than others.

The following table shows the estimated number and percentage of known fraud cases for each of the agencies included in our review. It shows that 55 percent of the estimated 77,211 known fraud cases were in the civil agencies and the remaining 45 percent were in the Defense agencies.

Table 11

Fraud Cases by Federal Agency (note a)

<u>Agency</u>	<u>Number</u>	<u>Percent</u>
Civil agencies:		
Social Security Administration (note b)	13,147	17.0
U.S. Postal Service	11,161	14.5
Agriculture	8,571	11.1
Veterans Administration	1,996	2.6
Treasury (Internal Revenue Service and Customs only)	1,994	2.6
Housing and Urban Development	1,665	2.2
General Services Administration	1,126	1.5
Small Business Administration	692	0.9
Energy	624	0.8
Transportation	548	0.7
Labor	430	0.6
Health, Education, and Welfare (note c)	279	0.4
Commerce	184	0.2
Interior	143	0.2
Environmental Protection Agency	140	0.2
Community Services Administration	70	0.1
Justice (Law Enforcement Assis- tance Administration)	<u>56</u>	<u>.1</u>
Total for civil agencies	<u>42,826</u>	<u>55.5</u>
Defense agencies:		
Army	15,634	20.2
Navy	12,411	16.1
Marine Corps	5,388	7.0
Defense Logistics Agency	639	0.8
Army-Air Force Exchange Service	307	0.4
Department of Defense (other)	<u>5</u>	<u>(d)</u>
Total for Defense agencies	<u>34,384</u>	<u>44.5</u>
Total	<u>77,211</u>	<u>100.0</u>

a/Because the Army-Air Force Exchange Service, whose cases are handled by the Army, and the Marine Corps, which is a part of the Navy, are shown separately, this table and all tables in this report that present data by agency show 23 agencies rather than 21.

b/Social Security was formerly part of the Department of Health, Education and Welfare (HEW) and is now part of the the Department of Health and Human Services. For the purposes of our review, we treated Social Security as a separate agency because it investigated and handled almost all the cases involving the Social Security Retirement and Supplemental Security Income Programs.

c/Since the period covered by our review, HEW has been abolished. Its functions have been transferred to two new agencies, the Department of Education and the Department of Health and Human Services.

d/Less than 0.1 percent.

A closer examination of the above data shows that the majority (87 percent) of the estimated 77,211 identified fraud cases were in the Defense agencies, the Social Security Administration, the U.S. Postal Service, and the Department of Agriculture. This is illustrated in the following table.

Table 12

Federal Agencies that Accounted
for the Most Fraud Cases

<u>Agency</u>	<u>Number</u>	<u>Percent</u>
Defense agencies	34,384	44.5
Social Security Administration	13,147	17.0
Postal Service	11,161	14.5
Department of Agriculture	<u>8,571</u>	<u>11.1</u>
Total for above agencies	67,263	87.1
Other civil agencies	<u>9,947</u>	<u>12.9</u>
Total for all agencies	<u>77,211</u>	<u>100.0</u>

TYPE OF FRAUD BY AGENCY

We next sought to determine whether certain types of fraud were more common at certain agencies than at others. We did this by comparing types of fraud by agency as shown in tables 13 and 14. Table 13 shows the number and percentage of cases in the various agencies for each type of fraud. Table 14 shows the number and percentage of cases in the various types of fraud for each agency.

We found that about 65 percent of the fraud cases at the Department of Labor; Department of Health, Education, and Welfare; Veterans Administration; Social Security Administration; Department of Commerce; and Department of Housing and Urban Development were false statement cases. Even though a high percentage of fraud cases at these agencies involved false statements, it is not surprising since the majority of the programs administered by these agencies provide benefits to individuals based on statements made by them in their applications. Table 15 on page 23 shows the agencies that had false statement cases in 65 percent or more of their total fraud cases.

TABLE 13

MAJOR TYPE OF FRAUD BY AGENCY
 (PERCENTAGES BASED ON ROW TOTALS)

AGENCY	MAJOR TYPE OF FRAUD										TOTAL PER CATEGORY	PERCENT OF TOTAL CASES
	THEFT	FALSE STATEMENTS	OTHER TYPES OF FRAUD	FORGERY	WORK HOUR ABUSE	KICKBACK OR BRIBE	PRIVATE USE OF GOVERNMENT PROPERTY	EXTORTION	CONTRACT TERMS WERE NOT PERFORMED			
CIVIL AGENCIES:												
SOCIAL SECURITY ADMIN.												
NUMBER	594	12045	-	287	-	-	-	221	-	13147		
PERCENT	4.5	91.6	-	2.2	-	-	-	1.7	-	100.0	17.0	
POSTAL SERVICE												
NUMBER	7784	325	2552	107	296	-	83	-	14	11162		
PERCENT	69.7	2.9	22.9	1.0	2.7	-	0.7	-	0.1	100.0	14.5	
AGRICULTURE												
NUMBER	193	1437	6554	55	83	111	111	-	28	8572		
PERCENT	2.3	16.8	76.5	0.6	1.0	1.3	1.3	-	0.3	100.0	11.1	
VETERANS ADMINISTRATION												
NUMBER	61	1555	100	254	6	-	4	18	-	1996		
PERCENT	3.0	77.9	5.0	12.7	0.3	-	0.2	0.9	-	100.0	2.6	
TREASURY												
NUMBER	251	571	336	60	214	429	133	-	-	1994		
PERCENT	12.6	28.6	16.9	3.0	10.7	21.5	6.7	-	-	100.0	2.6	
HOUSING AND URBAN DEVEL.												
NUMBER	115	1091	115	57	29	29	29	86	115	1665		
PERCENT	6.9	65.5	6.9	3.4	1.7	1.7	1.7	5.2	6.9	100.0	2.2	
GENERAL SERVICES ADMIN.												
NUMBER	907	38	48	9	13	42	45	2	21	1126		
PERCENT	80.6	3.4	4.3	0.8	1.2	3.7	4.0	0.2	1.9	100.0	1.5	
SMALL BUSINESS ADMIN.												
NUMBER	5	235	383	1	5	27	13	12	10	692		
PERCENT	0.8	34.0	55.4	0.1	0.8	4.0	1.8	1.8	1.4	100.0	0.9	
ENERGY												
NUMBER	489	34	30	6	20	15	19	5	6	624		
PERCENT	78.3	5.5	4.8	0.9	3.2	2.4	3.1	0.8	1.0	100.0	0.8	
TRANSPORTATION												
NUMBER	212	142	37	6	62	31	47	4	8	548		
PERCENT	38.6	25.9	6.7	1.1	11.3	5.6	8.5	0.7	1.5	100.0	0.7	
LABOR												
NUMBER	-	280	21	37	28	-	-	15	49	430		
PERCENT	-	65.2	4.9	8.6	6.4	-	-	3.5	11.4	100.0	0.6	
HEALTH, EDUC. AND WELFARE												
NUMBER	17	182	11	17	11	6	-	11	23	279		
PERCENT	6.1	65.3	4.1	6.1	4.1	2.0	-	4.1	8.2	100.0	0.4	
COMMERCE												
NUMBER	12	145	4	4	8	-	8	4	-	184		
PERCENT	6.4	78.7	2.1	2.1	4.3	-	4.3	2.1	-	100.0	0.2	
INTERIOR												
NUMBER	39	12	15	-	12	-	64	-	-	143		
PERCENT	27.7	8.5	10.6	-	8.5	-	44.7	-	-	100.0	0.2	
ENVIRONMENTAL PROT. AGENCY												
NUMBER	16	52	19	-	11	14	19	-	8	140		
PERCENT	11.8	37.3	13.7	-	7.8	9.8	13.7	-	5.9	100.0	0.2	
COMMUNITY SERVICE ADMIN.												
NUMBER	6	8	23	-	4	5	-	1	23	70		
PERCENT	8.6	11.4	32.9	-	5.7	7.1	-	1.4	32.9	100.0	0.1	
JUSTICE												
NUMBER	8	13	11	3	-	5	-	-	16	56		
PERCENT	14.3	23.8	19.0	4.8	-	9.5	-	-	28.6	100.0	0.1	
TOTAL FOR CIVIL AGENCIES												
NUMBER	10709	18166	10258	903	802	712	575	380	321	42827		
PERCENT	25.0	42.4	24.0	2.1	1.9	1.7	1.3	0.9	0.7	100.0	55.5	

TABLE 13 (CON.)

AGENCY	MAJOR TYPE OF FRAUD									TOTAL PER CATEGORY	PERCENT OF TOTAL CASES	
	THEFT	FALSE STATEMENTS	OTHER TYPES OF FRAUD	FORGERY	WORK HOUR ABUSE	KICKBACK OR BRIBE	PRIVATE USE OF GOVERNMENT PROPERTY	EXTORTION	CONTRACT TERMS WERE NOT PERFORMED			
DEFENSE AGENCIES:												
DEFENSE-ARMY												
NUMBER	12919	1040	1010	343	119	92	85	26	-	15634		
PERCENT	82.6	6.7	6.5	2.2	0.8	0.6	0.5	0.2	-	100.0	20.2	
DEFENSE-NAVY												
NUMBER	9002	855	1655	422	225	28	83	87	55	12411		
PERCENT	72.5	6.9	13.3	3.4	1.8	0.2	0.7	0.7	0.4	100.0	16.1	
DEFENSE-MARINES												
NUMBER	4383	469	371	110	28	-	28	-	-	5388		
PERCENT	81.3	8.7	6.9	2.0	0.5	-	0.5	-	-	100.0	7.0	
DEFENSE LOGISTICS AGENCY												
NUMBER	493	31	39	-	6	11	3	11	45	639		
PERCENT	77.2	4.8	6.1	-	0.9	1.8	0.4	1.8	7.0	100.0	0.8	
ARMY-AF EXCHANGE SERVICE												
NUMBER	13	85	98	85	-	-	-	-	26	307		
PERCENT	4.3	27.6	31.9	27.6	-	-	-	-	8.6	100.0	0.4	
DEFENSE-OTHER												
NUMBER	-	1	4	-	-	-	-	-	-	5		
PERCENT	-	20.0	80.0	-	-	-	-	-	-	100.0	(A)	
TOTAL FOR DEFENSE AGENCIES												
NUMBER	26810	2481	3176	960	377	131	198	124	126	34384		
PERCENT	78.0	7.2	9.2	2.8	1.1	0.4	0.6	0.4	0.4	100.0	44.5	
TOTAL												
NUMBER	7519	20648	13434	1863	1179	844	773	504	448	77211		
PERCENT	48.6	26.7	17.4	2.4	1.5	1.1	1.0	0.7	0.6	100.0	100.0	

▲/LESS THAN 0.1 PERCENT.

TABLE 14
MAJOR TYPE OF FRAUD BY AGENCY
(PERCENTAGES BASED ON COLUMN TOTALS)

AGENCY	MAJOR TYPE OF FRAUD										TOTAL PER CATEGORY
	THEFT	FALSE STATEMENTS	OTHER TYPES OF FRAUD	FORGERY	WORK HOUR ABUSE	KICKBACK OR BRIBE	PRIVATE USE OF GOVERNMENT PROPERTY	EXTORTION	CONTRACT TERMS WERE NOT PERFORMED		
CIVIL AGENCIES:											
SOCIAL SECURITY ADMIN.											
NUMBER	594	12045	-	287	-	-	-	221	-	13147	
PERCENT	1.6	58.3	-	15.4	-	-	-	43.8	-	17.0	
POSTAL SERVICE											
NUMBER	7784	325	2552	107	296	-	83	-	14	11162	
PERCENT	20.7	1.6	19.0	5.7	25.1	-	10.7	-	3.2	14.5	
AGRICULTURE											
NUMBER	193	1437	6554	55	83	111	111	-	28	8572	
PERCENT	0.5	7.0	48.8	3.0	7.0	13.1	14.3	-	6.2	11.1	
VETERANS ADMINISTRATION											
NUMBER	61	1555	100	254	6	-	4	18	-	1996	
PERCENT	0.2	7.5	0.7	13.6	0.5	-	0.5	3.5	-	2.6	
TREASURY											
NUMBER	251	571	336	60	214	429	133	-	-	1994	
PERCENT	0.7	2.8	2.5	3.2	18.1	50.8	17.3	-	-	2.6	
HOUSING AND URBAN DEVEL.											
NUMBER	115	1091	115	57	29	29	29	86	115	1665	
PERCENT	0.3	5.3	0.9	3.1	2.4	3.4	3.7	17.1	25.6	2.2	
GENERAL SERVICES ADMIN.											
NUMBER	907	38	48	9	13	42	45	2	21	1126	
PERCENT	2.4	0.2	0.4	0.5	1.1	4.9	5.9	0.4	4.7	1.5	
SMALL BUSINESS ADMIN.											
NUMBER	5	235	383	1	5	27	13	12	10	692	
PERCENT	(A)	1.1	2.9	0.1	0.5	3.2	1.6	2.5	2.2	0.9	
ENERGY											
NUMBER	489	34	30	6	20	15	19	5	6	624	
PERCENT	1.3	0.2	0.2	0.3	1.7	1.8	2.5	1.0	1.4	0.8	
TRANSPORTATION											
NUMBER	212	142	37	6	62	31	47	4	8	548	
PERCENT	0.6	0.7	0.3	0.3	5.2	3.6	6.1	0.8	1.8	0.7	
LABOR											
NUMBER	-	280	21	37	28	-	-	15	49	430	
PERCENT	-	1.4	0.2	2.0	2.3	-	-	3.0	10.9	0.6	
HEALTH, EDUC. AND WELFARE											
NUMBER	17	182	11	17	11	6	-	11	23	279	
PERCENT	(A)	0.9	0.1	0.9	1.0	0.7	-	2.3	5.1	0.4	
COMMERCE											
NUMBER	12	145	4	4	8	-	8	4	-	184	
PERCENT	(A)	0.7	(A)	0.2	0.7	-	1.0	0.8	-	0.2	
INTERIOR											
NUMBER	39	12	15	-	12	-	64	-	-	143	
PERCENT	0.1	0.1	0.1	-	1.0	-	8.2	-	-	0.2	
ENVIRONMENTAL PROT. AGENCY											
NUMBER	16	52	19	-	11	14	19	-	8	140	
PERCENT	(A)	0.3	0.1	-	0.9	1.6	2.5	-	1.8	0.2	
COMMUNITY SERVICE ADMIN.											
NUMBER	6	8	23	-	4	5	-	1	23	70	
PERCENT	(A)	(A)	0.2	-	0.3	0.6	-	0.2	5.1	0.1	
JUSTICE											
NUMBER	8	13	11	3	-	5	-	-	16	56	
PERCENT	(A)	0.1	0.1	0.1	-	0.6	-	-	3.6	0.1	
TOTAL FOR CIVIL AGENCIES											
NUMBER	10709	18166	10258	903	802	712	575	380	321	42827	
PERCENT	28.5	88.0	76.4	48.5	68.0	84.4	74.4	75.3	71.7	55.5	

A/LESS THAN 0.1 PERCENT.

TABLE 14 (CON.)

AGENCY	MAJOR TYPE OF FRAUD									
	THEFT	FALSE STATEMENTS	OTHER TYPES OF FRAUD	FORGERY	WORK HOUR ABUSE	KICKBACK OR BRIBE	PRIVATE USE OF GOVERNMENT PROPERTY	EXTORTION	CONTRACT TERMS WERE NOT PERFORMED	TOTAL PER CATEGORY
DEFENSE AGENCIES:										
DEFENSE-ARMY										
NUMBER	12919	1040	1010	343	119	92	85	26	-	15634
PERCENT	34.4	5.0	7.5	18.4	10.1	10.9	10.9	5.2	-	20.2
DEFENSE-NAVY										
NUMBER	9002	855	1655	422	225	28	83	87	55	12411
PERCENT	24.0	4.1	12.3	22.6	19.1	3.3	10.7	17.2	12.3	16.1
DEFENSE-MARINES										
NUMBER	4383	469	371	110	28	-	28	-	-	5388
PERCENT	11.7	2.3	2.8	5.9	2.3	-	3.6	-	-	7.0
DEFENSE LOGISTICS AGENCY										
NUMBER	493	31	39	-	6	11	3	11	45	639
PERCENT	1.3	0.1	0.3	-	0.5	1.3	0.4	2.2	10.0	0.8
ARMY-AF EXCHANGE SERVICE										
NUMBER	13	85	98	85	-	-	-	-	26	307
PERCENT	(A)	0.4	0.7	4.5	-	-	-	-	5.9	0.4
DEFENSE-OTHER										
NUMBER	-	1	4	-	-	-	-	-	-	5
PERCENT	-	(A)	(A)	-	-	-	-	-	-	(A)
TOTAL FOR DEFENSE AGENCIES										
NUMBER	26810	2481	3176	960	377	131	198	124	126	34384
PERCENT	71.5	12.0	23.6	51.5	31.9	15.5	25.6	24.7	28.2	44.5
TOTAL										
NUMBER	37519	20648	13434	1863	1179	844	773	504	448	77211
PERCENT	100.0	100.0	100.0	100.0	100.0	99.9	100.0	100.0	99.9	100.0

A/LESS THAN 0.1 PERCENT.

Table 15

Agencies with False Statement Cases
In 65 Percent or More of Their Total Fraud Cases

<u>Agency</u>	<u>Number of false statement cases</u>	<u>Percentage of agency's total fraud cases</u>
Social Security Administration	12,045	91.6
Commerce	145	78.7
Veterans Administration	1,555	77.9
Housing and Urban Development	1,091	65.5
Health, Education, and Welfare	182	65.3
Labor	280	65.2

Further analysis of the false statement fraud cases disclosed that five agencies accounted for approximately 90 percent of the total false statement fraud cases. The Social Security Administration had about 58 percent of the total false statement cases. This is consistent with the fact that eligibility for social security programs is determined on the basis of statements made by applicants. The table below shows the number of false statement cases by agency and the percentage of the agency's false statement cases to the total false statement cases.

Table 16

Agencies that Accounted for
Most of the False Statement Cases

<u>Agency</u>	<u>Number of false statement cases</u>	<u>Percentage of total false statement cases</u>
Social Security Administration	12,045	58.3
Defense agencies	2,481	12.0
Veterans Administration	1,555	7.5
Agriculture	1,437	7.0
Housing and Urban Development	<u>1,091</u>	<u>5.3</u>
Total	18,609	90.1
Other agencies	<u>2,038</u>	<u>9.9</u>
Total	<u>20,647</u>	<u>100.0</u>

Our analysis of the data on theft cases revealed that about 70 percent of the fraud cases in the Defense agencies, U.S. Postal Service, General Services Administration, and Department of Energy were theft cases. Again these results are not unexpected since the

mission of these agencies requires them to order, supply, and maintain large inventories of real property, equipment, and supplies. The following table shows the agencies where theft represented about 70 percent or more of their total fraud cases.

Table 17

Agencies Where 70 Percent or More
of Their Total Fraud Cases Were Thefts

<u>Agency</u>	<u>Number of theft cases</u>	<u>Percentage of agency's total fraud cases</u>
General Services Administration	907	80.6
Energy	489	78.3
Defense agencies	26,810	78.0
U.S. Postal Service	7,783	69.7

Our analysis also shows that the Defense agencies and U.S. Postal Service accounted for about 92 percent of the total theft cases for the period covered by our review. This is illustrated in the table below.

Table 18

Agencies that Accounted
for Most of the Theft Cases

<u>Agency</u>	<u>Number of theft cases</u>	<u>Percentage of total theft cases</u>
Defense agencies	26,810	71.5
U.S. Postal Service	<u>7,783</u>	<u>20.7</u>
Total	34,593	92.2
Other agencies	<u>2,926</u>	<u>7.8</u>
Total	<u>37,519</u>	<u>100.0</u>

CHAPTER 3
WHO COMMITTED FRAUD AGAINST
THE GOVERNMENT?

Fraud is committed against the Federal Government by the people it employs, the people it does business with, and the people it tries to help. In 30 percent of the fraud cases the person or persons who committed the fraud were never identified or caught and we classified them as unknown. In 29 percent of the cases Federal employees participated in the fraud, and in 18 percent of the cases recipients of Federal financial assistance defrauded the Government. The following table shows the participants in the 77,211 known fraud cases for the 2-1/2 years covered by our review.

Table 19
Participants in the Fraud

<u>Participants</u>	<u>Number of cases</u>	<u>Percent</u>
Federal employees alone	19,820	25.7
Federal employees with others	2,828	3.7
State and local government employees	442	0.6
Federal contractor/grantee personnel	1,402	1.8
Corporate recipients of Federal assistance	587	0.8
Individual recipients of Federal assistance	13,858	17.9
Other individual citizens	6,080	7.9
Other corporate or business entities	7,554	9.8
State and local government employees with individual recipients	38	(a)
Federal contractor/grantee personnel with individual recipients	69	0.1
Corporate recipients with individual recipients	74	0.1
Other corporate entity with individual recipients	879	1.1
Unknown	<u>23,577</u>	<u>30.5</u>
Total	<u>77,211</u>	<u>100.0</u>

a/Less than 0.1 percent.

Since some of the participant categories accounted for such a small percentage of the total fraud cases, they were combined before additional analysis was performed. This resulted in the participant categories shown in the chart on page 26.

WHO COMMITTED FRAUD?

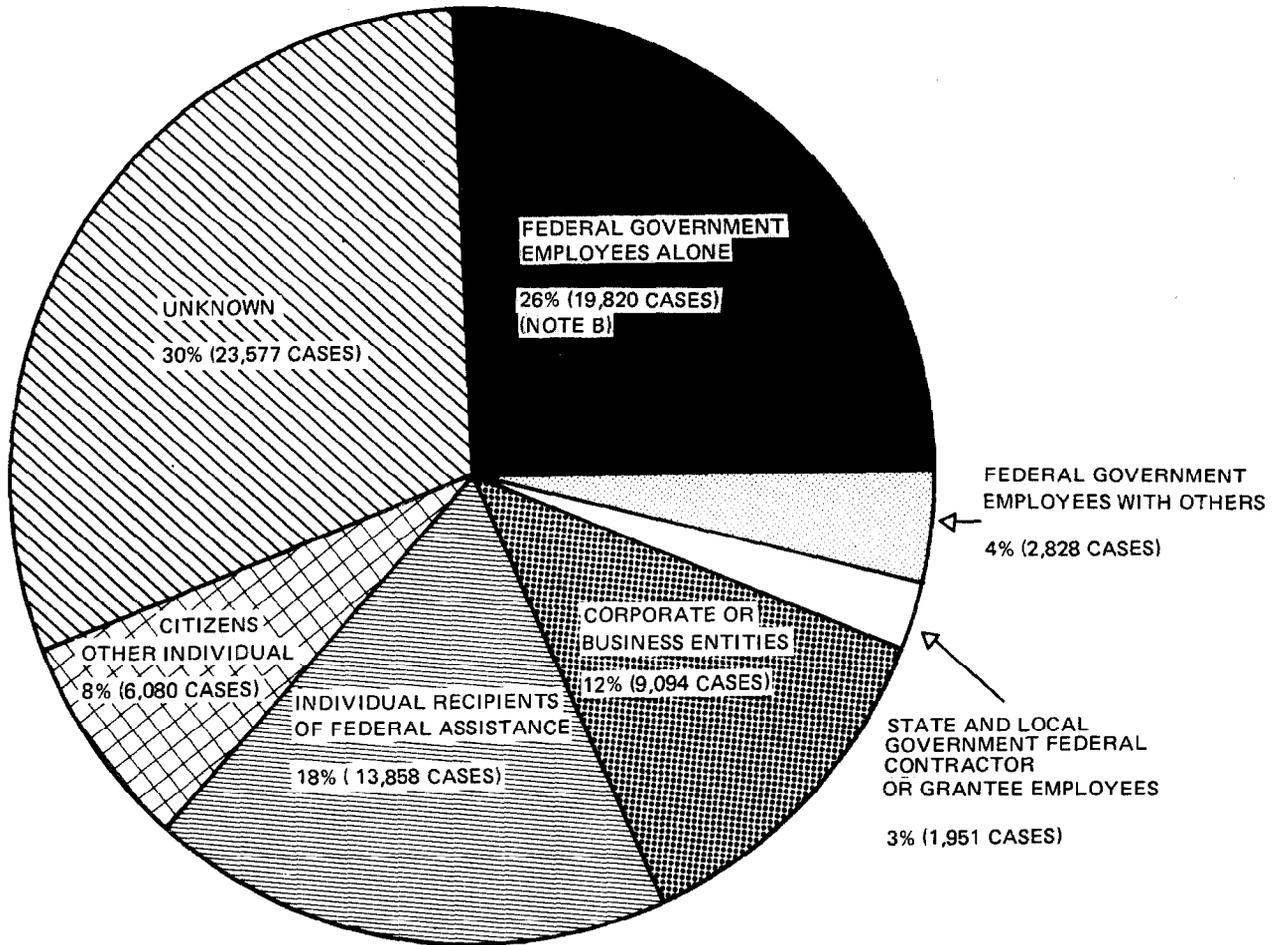


TABLE 20
MAJOR TYPE OF FRAUD BY PARTICIPANT CATEGORY

PARTICIPANT CATEGORY	MAJOR TYPE OF FRAUD									
	<u>THEFT</u>	<u>FALSE STATEMENTS</u>	<u>OTHER TYPES OF FRAUD</u>	<u>FORGERY</u>	<u>WORK HOUR ABUSE</u>	<u>KICKBACK OR BRIBE</u>	<u>PRIVATE USE OF GOVERNMENT PROPERTY</u>	<u>EXTORTION</u>	<u>CONTRACT TERMS WERE NOT PERFORMED</u>	<u>TOTAL PER CATEGORY</u>
FEDERAL ONLY										
NUMBER	12699	2444	2295	599	1065	166	516	36	1	19821
PERCENT	33.8	11.8	17.1	32.2	90.3	19.7	66.8	7.1	0.2	25.7
FEDERAL WITH OTHERS										
NUMBER	832	1009	367	82	63	228	99	108	41	2828
PERCENT	2.2	4.9	2.7	4.4	5.3	27.0	12.8	21.4	9.1	3.7
CITIZENS (NOTE A)										
NUMBER	85	13018	308	374	2	26	-	29	15	13858
PERCENT	0.2	63.1	2.3	20.1	0.2	3.1	-	5.7	3.4	17.9
OTHER CITIZENS (NOTE B)										
NUMBER	1560	2369	1607	133	-	171	2	238	-	6081
PERCENT	4.2	11.5	12.0	7.1	-	20.2	0.3	47.2	-	7.9
STATE AND LOCAL GOVERNMENT (NOTE C)										
NUMBER	780	457	241	14	46	38	49	27	301	1952
PERCENT	2.1	2.2	1.8	0.7	3.9	4.5	6.3	5.4	67.3	2.5
CORPORATION-BUSINESS										
NUMBER	235	1349	6833	272	1	193	87	67	58	9094
PERCENT	0.6	6.5	50.9	14.6	0.1	22.9	11.2	13.2	13.0	11.8
UNKNOWN										
NUMBER	21329	1	1784	389	2	20	20	-	31	23577
PERCENT	56.9	(D)	13.3	20.9	0.2	2.4	2.6	-	6.9	30.5
TOTAL										
NUMBER	37519	20648	13434	1863	1179	844	773	504	448	77211
PERCENT	100.0	100.0	100.0	100.0	100.0	99.9	100.0	100.0	99.9	100.0

A/ INDIVIDUAL RECIPIENTS OF DIRECT FEDERAL AID.
 B/ INDIVIDUALS WHO ARE NOT DIRECT RECIPIENTS OF FEDERAL AID.
 C/ INCLUDES FEDERAL CONTRACTORS OR GRANTEE PERSONNEL.
 D/ LESS THAN 0.1 PERCENT.

PARTICIPANTS IN FRAUD BY MAJOR TYPE OF FRAUD

We next sought to determine who committed fraud against the Government by the major types of fraud. As expected, we found that about 96 percent of the work hour abuse cases and almost 80 percent of the private use of Government property cases were committed by Government employees acting alone or with others. Approximately 75 percent of the false statement cases involved false statements made by individual recipients of financial assistance or by other individual citizens. Table 20 on page 27 shows who committed fraud against the Government by the major types of fraud.

Table 20 also shows that participants are unknown in 23,577 cases or 30.5 percent of the estimated 77,211 fraud cases. Further examination of the 23,577 cases shows that 21,329 (90 percent) involved theft. Stated in terms of total fraud cases, theft cases (21,329) in which the participants are unknown accounted for 27.6 percent of the 77,211 total.

Although the participants in about 57 percent of the theft cases were unknown, Federal employees were responsible for thefts in a substantial number of the remaining cases. By excluding the cases in which the participant is unknown, we found that most thefts were committed by Federal employees acting alone or with others. This is shown in the table below.

Table 21

Theft Cases In Which Participants Were Identified

<u>Participants</u>	<u>Number</u>	<u>Percent</u>
Federal employees only	12,699	78.4
Federal employees with others	832	5.1
State and local government, Federal contractor, and grantee personnel	780	4.8
Corporate or business entity	235	1.5
Individual recipient of Federal assistance	85	0.5
Other individual citizens	<u>1,560</u>	<u>9.6</u>
Total	<u>16,190</u>	<u>100.0</u>

PARTICIPANTS IN FRAUD BY FUNCTIONAL AREA

We next sought to determine in which functional areas fraud participants committed the most fraud. We found that the functional areas of inventory controls and mail service accounted for most of the fraud committed against the Government by Federal employees acting alone. Miscellaneous fraud accounted for most fraud committed

by State and local government, Federal contractor and grantee personnel, and Federal employees with others. The majority of the fraud committed by corporate or business entities, individual recipients of Federal assistance, and other individual citizens fell into the functional area of financial assistance to individuals. Most of the fraud in which the participant was unknown was in the inventory control functional area. Table 22 on page 30 shows the number and percentage of fraud cases in the various functional areas for each participant group.

PARTICIPANTS IN FRAUD BY AGENCY

The participants in fraud varied considerably from one agency to another. We believe this is due to differences in agency mission, objectives, and programs. For example, we found that about 75 percent of the fraud committed against the Small Business Administration was done by corporate or business entities. This appears reasonable since the programs of the Small Business Administration are directed to assisting small businesses.

At the Department of Commerce, the Department of Justice, and the Community Services Administration approximately 75 percent of the fraud was committed by State and local government, Federal contractor, or grantee personnel. This was not unexpected since most of the programs and functions of these agencies are directed to or are carried out by State and local governments, Federal contractors, or grantee organizations. Our analysis also showed that the participants were unknown in most of the fraud cases at the General Services Administration and the Defense agencies. These agencies are responsible for maintaining large inventories of equipment and supplies and are therefore more susceptible to fraud involving theft--for which suspects are often never identified. Table 23 on pages 31 and 32 shows the number and percentage of each agency's fraud cases by the different participant categories.

We looked at the same data from another perspective to determine what percentage of the total fraud cases in each participant category fell within the different agencies included in our review. We found that (1) 84 percent of the fraud cases in which the participant was unknown were in the Defense agencies; (2) 81 percent of the fraud cases in which the individual recipients of Federal assistance committed the fraud were in the Social Security Administration; (3) 54 percent of the fraud cases in which other individuals committed the fraud were in the Social Security Administration and U.S. Postal Service; (4) 70 percent of the fraud cases in which corporate or business entities committed the fraud were in the Department of Agriculture; and (5) 35 percent of the fraud cases in which State and local government, Federal contractor, and grantee personnel participated were in the U.S. Postal Service. Table 24 on pages 33 and 34 shows the number and percentage of total fraud cases in each participant category by agency.

TABLE 22
PARTICIPANT CATEGORY OF FRAUD
BY FUNCTIONAL AREA

FUNCTIONAL AREA	CATEGORY OF PARTICIPANTS IN FRAUD								TOTAL PER AGENCY
	FEDERAL GOVERNMENT EMPLOYEES ONLY	FEDERAL GOVERNMENT EMPLOYEES WITH OTHERS	STATE/LOCAL, FEDERAL CONTRACTOR OR GRANTEE PERSONNEL	CORPORATE OR BUSINESS ENTITY	INDIVIDUAL RECIPIENT OF FEDERAL ASSISTANCE	OTHER INDIVIDUAL CITIZENS	UNKNOWN		
FINANCIAL AID									
NUMBER	205	133	117	6431	12427	1926	28	21266	
PERCENT	1.0	4.7	6.0	70.7	89.7	31.7	0.1	27.5	
INVENTORY CONTROL									
NUMBER	5243	582	116	106	11	701	12702	19460	
PERCENT	26.5	20.6	5.9	1.2	0.1	11.5	53.9	25.2	
PERSONAL PROPERTY									
NUMBER	2410	-	-	-	-	171	7340	9921	
PERCENT	12.2	-	-	-	-	2.8	31.1	12.8	
MAIL SERVICE									
NUMBER	4509	322	506	191	-	732	1564	7824	
PERCENT	22.8	11.4	25.9	2.1	-	12.0	6.6	10.1	
PERSONNEL									
NUMBER	1473	435	61	-	-	1359	90	3417	
PERCENT	7.4	15.4	3.1	-	-	22.3	0.4	4.4	
CASH CONTROL									
NUMBER	1510	-	155	119	11	630	821	3246	
PERCENT	7.6	-	7.9	1.3	0.1	10.4	3.5	4.2	
LOAN GUARANTEES-LOANS									
NUMBER	47	295	29	1621	1195	34	19	3239	
PERCENT	0.2	10.4	1.5	17.8	8.6	0.6	0.1	4.2	
PAYROLL									
NUMBER	1639	198	83	30	4	32	178	2164	
PERCENT	8.3	7.0	4.3	0.3	(A)	0.5	0.8	2.8	
OTHER MISCELLANEOUS AREAS									
NUMBER	2756	778	885	598	210	466	835	6527	
PERCENT	13.9	27.5	45.3	6.6	1.5	7.7	3.5	8.5	
UNKNOWN									
NUMBER	31	86	-	-	-	30	1	148	
PERCENT	0.2	3.0	-	-	-	0.5	(A)	0.2	
TOTAL									
NUMBER	19821	2828	1952	9094	13858	6081	23577	77211	
PERCENT	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	

A/LESS THAN 0.1 PERCENT.

TABLE 23

PARTICIPANT CATEGORY OF FRAUD BY AGENCY
(PERCENTAGES BASED ON ROW TOTALS)

AGENCY	CATEGORY OF PARTICIPANTS IN FRAUD							TOTAL PER AGENCY	PERCENT OF TOTAL CASES
	FEDERAL GOVERNMENT EMPLOYEES ONLY	FEDERAL GOVERNMENT EMPLOYEES WITH OTHERS	STATE/LOCAL, FEDERAL CONTRACTOR OR GRANTEE PERSONNEL	CORPORATE OR BUSINESS ENTITY	INDIVIDUAL RECIPIENT OF FEDERAL ASSISTANCE	OTHER INDIVIDUAL CITIZENS	UNKNOWN		
CIVIL AGENCIES:									
SOCIAL SECURITY ADMIN.									
NUMBER	-	74	-	74	11262	1738	-	13147	
PERCENT	-	0.6	-	0.6	85.7	13.2	-	100.0	17.0
POSTAL SERVICE									
NUMBER	6110	404	689	329	-	1550	2080	11162	
PERCENT	54.7	3.6	6.2	2.9	-	13.9	18.6	100.0	14.5
AGRICULTURE									
NUMBER	415	111	111	6416	829	663	28	8572	
PERCENT	4.8	1.3	1.3	74.8	9.7	7.7	0.3	100.0	11.1
VETERANS ADMINISTRATION									
NUMBER	48	227	-	842	802	57	20	1996	
PERCENT	2.4	11.4	-	42.2	40.2	2.9	1.0	100.0	2.6
TREASURY									
NUMBER	1195	103	-	193	-	232	271	1994	
PERCENT	59.9	5.2	-	9.7	-	11.6	13.6	100.0	2.6
HOUSING AND URBAN DEVEL.									
NUMBER	144	29	230	488	718	57	-	1665	
PERCENT	8.6	1.7	13.8	29.3	43.1	3.4	-	100.0	2.2
GENERAL SERVICES ADMIN.									
NUMBER	103	95	71	1	1	49	807	1126	
PERCENT	9.2	8.4	6.3	0.1	0.1	4.3	71.7	100.0	1.5
SMALL BUSINESS ADMIN.									
NUMBER	41	54	10	528	58	-	1	692	
PERCENT	5.9	7.8	1.4	76.3	8.4	-	0.1	100.0	0.9
ENERGY									
NUMBER	37	14	107	3	-	6	457	624	
PERCENT	5.9	2.2	17.2	0.5	-	1.0	73.2	100.0	0.8
TRANSPORTATION									
NUMBER	338	53	36	6	-	28	87	548	
PERCENT	61.6	9.6	6.6	1.1	-	5.1	15.9	100.0	0.7
LABOR									
NUMBER	183	-	157	-	75	14	-	430	
PERCENT	42.7	-	36.6	-	17.4	3.3	-	100.0	0.6
HEALTH, EDUC. AND WELFARE									
NUMBER	34	6	29	91	86	29	6	279	
PERCENT	12.2	2.0	10.2	32.7	30.6	10.2	2.0	100.0	0.4
COMMERCE									
NUMBER	27	4	137	12	-	4	-	184	
PERCENT	14.9	2.1	74.5	6.4	-	2.1	-	100.0	0.2
INTERIOR									
NUMBER	131	6	3	-	-	-	3	143	
PERCENT	91.5	4.3	2.1	-	-	-	2.1	100.0	0.2
ENVIRONMENTAL PROT. AGENCY									
NUMBER	55	11	69	-	-	5	-	140	
PERCENT	39.2	7.8	49.0	-	-	3.9	-	100.0	0.2
COMMUNITY SERVICE ADMIN.									
NUMBER	6	2	62	-	-	-	-	70	
PERCENT	8.6	2.9	88.6	-	-	-	-	100.0	0.1
JUSTICE									
NUMBER	3	-	48	-	-	3	3	56	
PERCENT	4.8	-	85.7	-	-	4.8	4.8	100.0	0.1
TOTAL FOR CIVIL AGENCIES									
NUMBER	8868	1190	1758	8982	13830	4436	3762	42827	
PERCENT	20.7	2.8	4.1	21.0	32.3	10.4	8.8	100.0	55.5

TABLE 23 (CON.)

AGENCY	CATEGORY OF PARTICIPANTS IN FRAUD							TOTAL PER AGENCY	PERCENT OF TOTAL CASES	
	FEDERAL GOVERNMENT EMPLOYEES ONLY	FEDERAL GOVERNMENT EMPLOYEES WITH OTHERS	STATE/LOCAL, FEDERAL CONTRACTOR OR GRANTEE PERSONNEL	CORPORATE OR BUSINESS ENTITY	INDIVIDUAL RECIPIENT OF FEDERAL ASSISTANCE	OTHER INDIVIDUAL CITIZENS	UNKNOWN			
DEFENSE AGENCIES:										
DEFENSE-ARMY										
NUMBER	4785	650	13	85	26	412	9663	15634		
PERCENT	30.6	4.2	0.1	0.5	0.2	2.6	61.8	100.0	20.2	
DEFENSE-NAVY										
NUMBER	3941	788	55	28	-	871	6728	12411		
PERCENT	31.8	6.4	0.4	0.2	-	7.0	54.2	100.0	16.1	
DEFENSE-MARINES										
NUMBER	2085	110	-	-	-	335	2857	5388		
PERCENT	38.7	2.0	-	-	-	6.2	53.0	100.0	7.0	
DEFENSE LOGISTICS AGENCY										
NUMBER	56	75	100	-	-	25	384	639		
PERCENT	8.7	11.7	15.6	-	-	3.9	60.2	100.0	0.8	
ARMY-AF EXCHANGE SERVICE										
NUMBER	85	13	26	-	-	-	182	307		
PERCENT	27.6	4.3	8.6	-	-	-	59.5	100.0	0.4	
DEFENSE-OTHER										
NUMBER	1	1	-	-	1	2	-	5		
PERCENT	20.0	20.0	-	-	20.0	40.0	-	100.0	(A)	
TOTAL FOR DEFENSE AGENCIES										
NUMBER	10953	1637	195	112	27	1645	19815	34384		
PERCENT	31.9	4.8	0.6	0.3	0.1	4.8	57.6	100.0	44.5	
TOTAL										
NUMBER	19821	2828	1952	9094	13858	6081	23577	77211		
PERCENT	25.7	3.7	2.5	11.8	17.9	7.9	30.5	100.0	100.0	

A LESS THAN 0.1 PERCENT.

TABLE 24

PARTICIPANT CATEGORY OF FRAUD BY AGENCY
(PERCENTAGES BASED ON COLUMN TOTALS)

AGENCY	CATEGORY OF PARTICIPANTS IN FRAUD							TOTAL PER AGENCY
	FEDERAL GOVERNMENT EMPLOYEES ONLY	FEDERAL GOVERNMENT EMPLOYEES WITH OTHERS	STATE/LOCAL, FEDERAL CONTRACTOR OR GRANTEE PERSONNEL	CORPORATE OR BUSINESS ENTITY	INDIVIDUAL RECIPIENT OF FEDERAL ASSISTANCE	OTHER INDIVIDUAL CITIZENS	UNKNOWN	
CIVIL AGENCIES:								
SOCIAL SECURITY ADMIN.								
NUMBER	-	74	-	74	11262	1738	-	13147
PERCENT	-	2.6	-	0.8	81.3	28.6	-	17.0
POSTAL SERVICE								
NUMBER	6110	404	689	329	-	1550	2080	11162
PERCENT	30.8	14.3	35.3	3.6	-	25.5	8.8	14.5
AGRICULTURE								
NUMBER	415	111	111	6416	829	663	28	8572
PERCENT	2.1	3.9	5.7	70.5	6.0	10.9	0.1	11.1
VETERANS ADMINISTRATION								
NUMBER	48	227	-	842	802	57	20	1996
PERCENT	0.2	8.0	-	9.3	5.8	0.9	0.1	2.6
TREASURY								
NUMBER	1195	103	-	193	-	232	271	1994
PERCENT	6.0	3.6	-	2.1	-	3.8	1.1	2.6
HOUSING AND URBAN DEVEL.								
NUMBER	144	29	230	488	718	57	-	1665
PERCENT	0.7	1.0	11.8	5.4	5.2	0.9	-	2.2
GENERAL SERVICES ADMIN.								
NUMBER	103	95	71	1	1	49	807	1126
PERCENT	0.5	3.3	3.6	(A)	(A)	0.8	3.4	1.5
SMALL BUSINESS ADMIN								
NUMBER	41	54	10	528	58	-	1	692
PERCENT	0.2	1.9	0.5	5.8	0.4	-	(A)	0.9
ENERGY								
NUMBER	37	14	107	3	-	6	457	624
PERCENT	0.2	0.5	5.5	(A)	-	0.1	1.9	0.8
TRANSPORTATION								
NUMBER	338	53	36	6	-	28	87	548
PERCENT	1.7	1.9	1.9	0.1	-	0.5	0.4	0.7
LABOR								
NUMBER	183	-	157	-	75	14	-	430
PERCENT	0.9	-	8.1	-	0.5	0.2	-	0.6
HEALTH, EDUC. AND WELFARE								
NUMBER	34	6	29	91	86	29	6	279
PERCENT	0.2	0.2	1.5	1.0	0.6	0.5	(A)	0.4
COMMERCE								
NUMBER	27	4	137	12	-	4	-	184
PERCENT	0.1	0.1	7.0	0.1	-	0.1	-	0.2
INTERIOR								
NUMBER	131	6	3	-	-	-	3	143
PERCENT	0.7	0.2	0.2	-	-	-	(A)	0.2
ENVIRONMENTAL PROT. AGENCY								
NUMBER	55	11	69	-	-	5	-	140
PERCENT	0.3	0.4	3.5	-	-	0.1	-	0.2
COMMUNITY SERVICE ADMIN.								
NUMBER	6	2	62	-	-	-	-	70
PERCENT	(A)	0.1	3.2	-	-	-	-	0.1
JUSTICE								
NUMBER	3	-	48	-	-	3	3	56
PERCENT	(A)	-	2.5	-	-	(A)	(A)	0.1
TOTAL FOR CIVIL AGENCIES								
NUMBER	8868	1190	1758	8982	13830	4436	3762	42827
PERCENT	44.7	42.1	90.0	98.8	99.8	73.0	16.0	55.5

/ LESS THAN 0.1 PERCENT.

TABLE 24 (CON.)

AGENCY	CATEGORY OF PARTICIPANTS IN FRAUD							TOTAL PER AGENCY
	FEDERAL GOVERNMENT EMPLOYEES ONLY	FEDERAL GOVERNMENT EMPLOYEES WITH OTHERS	STATE/LOCAL, FEDERAL CONTRACTOR OR GRANTEE PERSONNEL	CORPORATE OR BUSINESS ENTITY	INDIVIDUAL RECIPIENT OF FEDERAL ASSISTANCE	OTHER INDIVIDUAL CITIZENS	UNKNOWN	
DEFENSE AGENCIES:								
DEFENSE-ARMY								
NUMBER	4785	650	13	85	26	412	9663	15634
PERCENT	24.1	23.0	0.7	0.9	0.2	6.8	41.0	20.2
DEFENSE-NAVY								
NUMBER	3941	788	55	28	-	871	6728	12411
PERCENT	19.9	27.9	2.8	0.3	-	14.3	28.5	16.1
DEFENSE-MARINES								
NUMBER	2085	110	-	-	-	335	2857	5388
PERCENT	10.5	3.9	-	-	-	5.5	12.1	7.0
DEFENSE LOGISTICS AGENCY								
NUMBER	56	75	100	-	-	25	384	639
PERCENT	0.3	2.6	5.1	-	-	0.4	1.6	0.8
ARMY-AF EXCHANGE SERVICE								
NUMBER	85	13	26	-	-	-	182	307
PERCENT	0.4	0.5	1.4	-	-	-	0.8	0.4
DEFENSE-OTHER								
NUMBER	1	1	-	-	1	2	-	5
PERCENT	(A)	(A)	-	-	(A)	(A)	-	(A)
TOTAL FOR DEFENSE AGENCIES								
NUMBER	10953	1637	195	112	27	1645	19815	34384
PERCENT	55.3	57.9	10.0	1.2	0.2	27.1	84.0	44.5
TOTAL								
NUMBER	19821	2828	1952	9094	13858	6081	23577	77211
PERCENT	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

A/LESS THAN 0.1 PERCENT.

OCCUPATION OR POSITION OF FEDERAL
EMPLOYEE INVOLVED IN FRAUD

A closer examination of the Federal employees who committed fraud showed that about 51 percent were members of the armed forces and approximately 26 percent were clerical workers. The remaining Federal employees involved in fraud were program officials, skilled or semiskilled workers and laborers, investigators, inspectors, law enforcement officers, or others as shown in the following table.

Table 25

Occupation or Position
of Federal Employee Involved in Fraud

<u>Occupation/Position</u>	<u>Number</u>	<u>Percent</u>
Members of armed forces	11,579	51.1
Clerical workers	5,762	25.4
Program officials	1,887	8.3
Skilled and semiskilled workers and laborers	914	4.0
Investigators, inspectors, and law enforcement officers	545	2.4
Other	1,002	4.4
Unknown	<u>960</u>	<u>4.2</u>
Total	<u>22,649</u>	<u>100.0</u>

We next sought to determine what type of fraud Federal employees in the various occupational and positional categories were most likely to commit. We found that two-thirds of the fraud committed by members of the armed forces and clerical workers involved theft. Theft also accounted for 46 percent of the fraud committed by skilled and semiskilled workers and laborers. Program officials, investigators, inspectors, and law enforcement officers were more likely to commit fraud involving false statements. Table 26 shows the number and percentage of fraud cases by major type for each occupation and position category.

We next analyzed each major type of fraud to determine what percentage was committed by Federal employees in each occupation and position category. We found that members of the armed forces, who accounted for more than half of the fraud committed by Federal employees, were involved in 74 percent of the forgery cases, 57 percent of the theft cases, and 48 percent of the false statement cases that Federal employees committed. The number and percentage of fraud cases broken down by Federal employee occupation and position categories for each major type of fraud are shown in table 27 on page 37.

TABLE 26

MAJOR TYPE OF FRAUD
BY OCCUPATION OR POSITION OF THE FEDERAL EMPLOYEE
(PERCENTAGES BASED ON ROW TOTALS)

OCCUPATION OR POSITION	MAJOR TYPE OF FRAUD									TOTAL PER CATEGORY	PERCENT OF TOTAL CASES
	THEFT	FALSE STATEMENTS	OTHER TYPES OF FRAUD	FORGERY	WORK HOUR ABUSE	KICKBACK OR BRIBE	PRIVATE USE OF GOVERNMENT PROPERTY	EXTORTION	CONTRACT TERMS WERE NOT PERFORMED		
CLERICAL WORKERS											
NUMBER	3837	538	844	87	352	20	83	1	-	5763	
PERCENT	66.6	9.3	14.6	1.5	6.1	0.4	1.4	(C)	-	100.0	25.4
ARMED FORCES											
NUMBER	7746	1671	1168	505	222	83	154	26	4	11579	
PERCENT	66.9	14.4	10.1	4.4	1.9	0.7	1.3	0.2	(C)	100.0	51.1
PROGRAM OFFICIALS											
NUMBER	367	481	380	32	257	146	168	21	35	1886	
PERCENT	19.4	25.5	20.1	1.7	13.6	7.8	8.9	1.1	1.8	100.0	8.3
WORKERS-LABORERS (NOTE A)											
NUMBER	423	173	11	13	159	2	46	87	-	914	
PERCENT	46.2	19.0	1.2	1.4	17.4	0.2	5.0	9.5	-	100.0	4.0
INVESTIGATORS (NOTE B)											
NUMBER	101	170	41	21	54	97	59	-	3	545	
PERCENT	18.4	31.1	7.5	3.9	9.9	17.8	10.8	-	0.5	100.0	2.4
OTHER											
NUMBER	466	239	79	20	77	22	89	9	-	1002	
PERCENT	46.6	23.9	7.9	2.0	7.7	2.2	8.9	0.8	-	100.0	4.4
UNKNOWN											
NUMBER	592	181	139	2	6	23	17	-	-	960	
PERCENT	61.7	18.8	14.5	0.2	0.6	2.4	1.8	-	-	100.0	4.2
TOTAL											
NUMBER	13531	3453	2662	681	1127	395	615	143	42	22649	
PERCENT	59.7	15.2	11.8	3.0	5.0	1.7	2.7	0.6	0.2	100.0	100.0

A/INCLUDES SKILLED AND SEMISKILLED.

B/INCLUDES INSPECTORS AND LAW ENFORCEMENT OFFICERS.

C/LESS THAN 0.1 PERCENT.

TABLE 27

MAJOR TYPE OF FRAUD
 BY OCCUPATION OR POSITION OF THE FEDERAL EMPLOYEE
 (PERCENTAGES BASED ON COLUMN TOTALS)

OCCUPATION OR POSITION	MAJOR TYPE OF FRAUD									TOTAL PER CATEGORY
	THEFT	FALSE STATEMENTS	OTHER TYPES OF FRAUD	FORGERY	WORK HOUR ABUSE	KICKBACK OR BRIBE	PRIVATE USE OF GOVERNMENT PROPERTY	EXTORTION	CONTRACT TERMS WERE NOT PERFORMED	
CLERICAL WORKERS										
NUMBER	3837	538	844	87	352	20	83	1	-	5763
PERCENT	28.4	15.6	31.7	12.7	31.3	5.2	13.5	0.7	-	25.4
ARMED FORCES										
NUMBER	7746	1671	1168	505	222	83	154	26	4	11579
PERCENT	57.2	48.4	43.9	74.2	19.7	21.1	25.0	18.5	9.6	51.1
PROGRAM OFFICIALS										
NUMBER	367	481	380	32	257	146	168	21	35	1886
PERCENT	2.7	13.9	14.3	4.7	22.8	37.0	27.3	14.5	82.8	8.3
WORKERS-LABORERS (NOTE A)										
NUMBER	423	173	11	13	159	2	46	87	-	914
PERCENT	3.1	5.0	0.4	1.9	14.1	0.5	7.4	60.6	-	4.0
INVESTIGATORS (NOTE B)										
NUMBER	101	170	41	21	54	97	59	-	3	545
PERCENT	0.7	4.9	1.5	3.1	4.8	24.6	9.6	-	6.7	2.4
OTHER										
NUMBER	466	239	79	20	77	22	89	9	-	1002
PERCENT	3.4	6.9	3.0	3.0	6.9	5.7	14.4	6.0	-	4.4
UNKNOWN										
NUMBER	592	181	139	2	6	23	17	-	-	960
PERCENT	4.4	5.2	5.2	0.3	0.5	5.9	2.7	-	-	4.2
TOTAL										
NUMBER	13531	3453	2662	681	1127	395	615	143	42	22649
PERCENT	100.0	100.0	100.0	100.0	100.0	99.9	100.0	100.3	99.0	100.0

A/INCLUDES SKILLED AND SEMISKILLED.

B/INCLUDES INSPECTORS AND LAW ENFORCEMENT OFFICERS.

The increased awareness of fraudulent activity against the Government has focused attention on the integrity of Federal employees. We estimate that 38,277 Federal employees were involved in the 22,648 fraud cases or 29 percent of the total cases. To put this in perspective, we compared total Federal employees involved in fraud to the total number of employees in the 21 Federal agencies. This showed that one out of every 254 Federal employees (civilian and military) defrauds the Government each year; or stated differently, four-tenths of 1 percent of the total Federal employees at the 21 Federal agencies participated in fraud against the Government.

CHAPTER 4

WHAT WAS THE COST OF FRAUD COMMITTED

AGAINST THE GOVERNMENT?

Known fraud committed against the Federal Government cost between \$150 million and \$220 million for the 2-1/2 years covered by our review. Our estimate does not include cases involving Federal funds where State and local jurisdictions had primary investigatory responsibility. Some of these losses were substantial. Not all incidents of fraud resulted in monetary losses. Of the 77,211 cases of known fraud, 37 percent did not involve a monetary loss. Fraud was detected in every agency included in our review and in all types of activities within these agencies. Total losses due to fraud will never be known because not all fraud that occurs is detected.

MONETARY LOSSES FOR KNOWN FRAUD

The losses in the 48,819 cases (63 percent) varied from \$1 to as high as \$2 million. We estimate the loss to the Government for known fraud cases during the period covered by our review was \$187 million + \$35 million at the 95-percent confidence level. (See appendix VI for the methodology used in estimating the cost of fraud committed against the Government.) The monetary losses were limited to the value of the property, benefit, or service obtained through fraudulent activities. These losses did not include the costs of detecting, investigating, and taking administrative and legal action. For example, in a theft case only the value of the item stolen was recorded as a loss.

We analyzed the losses to determine what dollar range represented the largest loss. Table 28 presents the number of cases and the monetary losses within each dollar range.

Cases involving losses of \$1,000 or less accounted for 57 percent of the cases with monetary losses and involved about \$10 million or 5.2 percent of the total monetary losses. Most of these were theft cases in which the participants were unknown and occurred in the inventory control area. An example is a case where an electric drill, two hand saws, and two paint brushes were stolen from a toolbox at the Department of Energy. The value of these items was about \$100. The person who stole the items was not identified.

Table 28

Monetary Loss by Dollar Range

<u>Range</u>	<u>Cases</u>		<u>Monetary loss</u>	
	<u>Number</u>	<u>Percent (note a)</u>	<u>Amount</u>	<u>Percent</u>
\$100 or less	6,260	12.8	\$ 305,508	0.2
\$101 to \$1,000	21,469	44.0	9,267,910	5.0
\$1,001 to \$10,000	13,102	26.8	41,995,323	22.5
\$10,001 to \$100,000	1,912	3.9	42,855,798	22.9
\$100,001 to \$500,000	171	0.4	29,584,116	15.8
\$500,001 to \$1 million	22	(b)	12,590,062	6.7
Over \$1 million	19	(b)	27,909,162	14.9
Monetary loss but no data in file to estimate loss (note c)	5,863	12.0	22,456,834	12.0
Total for all monetary loss cases	<u>48,819</u>	<u>100.0</u>	<u>\$186,964,711</u>	<u>100.0</u>
Nonmonetary loss	<u>28,390</u>		\$ <u>0</u>	
Total	<u>77,211</u>		<u>\$186,964,711</u> *	

a/Based on the total of monetary loss cases.

b/Less than 0.1 percent.

c/See appendix VI for the methodology used in estimating the monetary loss for these cases.

Monetary loss by type of fraud
and functional area

Agencies were susceptible to many types of fraud in a wide range of functional areas. We classified our fraud cases into nine major types and ten functional area categories to determine what types and functional areas accounted for the largest monetary loss.

Some types of fraud occurred more frequently than others or had a larger monetary loss associated with them. Theft and false statement cases had the largest monetary losses and occurred the most frequently. False statement cases, which accounted for the largest percentage of the total monetary loss cases, had an average loss per case of \$5,746. Nonperformance of contract terms cases had the highest average loss (\$19,474) of the nine major types of fraud. Private use of Government property and theft had the lowest average losses per case (\$1,900 and \$1,928, respectively). The following table shows the number of fraud cases with a monetary loss and the amount of the monetary loss by the nine major types of fraud.

Table 29

Monetary Loss by Type of Fraud

<u>Type of fraud</u>	<u>Cases with Monetary loss</u>		<u>Monetary loss</u>		<u>Average loss per case</u>
	<u>Number</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	
Theft	24,480	50.1	\$ 47,185,912	25.2	\$ 1,928
False statement	14,988	30.7	86,124,876	46.1	5,746
Nonperformance of contract terms	368	0.8	7,160,689	3.8	19,474
Kickback/bribe	449	0.9	7,503,629	4.0	16,728
Forgery	1,241	2.5	3,858,108	2.1	3,109
Work hour abuse	1,028	2.1	3,404,322	1.8	3,310
Private use of Government property	584	1.2	1,108,849	0.6	1,900
Extortion	206	0.4	754,248	0.4	3,662
Other miscellaneous types	<u>5,476</u>	<u>11.2</u>	<u>29,864,077</u>	<u>16.0</u>	5,454
Total	<u>48,819</u>	<u>100.0</u>	<u>\$186,964,711</u>	<u>100.0</u>	<u>\$ 3,830</u>

We also determined the monetary losses for each functional area. As seen in table 30, the area of financial assistance to individuals had the highest monetary loss. This area included many cases in the \$1,001 to \$10,000 range and accounted for approximately 22 percent of the total loss and 27 percent of the cases with a monetary loss.

Table 30

Monetary Loss by Functional Area

<u>Functional area</u>	<u>Cases with monetary loss</u>		<u>Monetary loss</u>	
	<u>Number</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Financial assistance to individuals	13,257	27.2	\$ 40,883,162	21.9
Inventory controls	18,308	37.5	36,081,266	19.3
Personal property management	948	1.9	807,592	0.4
Mail service	4,447	9.1	11,749,704	6.3
Personnel	596	1.2	3,277,021	1.8
Cash control	3,180	6.5	2,843,942	1.5
Loan guarantees and loans:				
Loan guarantees	823	1.7	15,838,154	8.5
Loans	529	1.1	10,510,856	5.6
Payroll	1,934	4.0	6,324,167	3.4
Other miscellaneous areas:				
Grants	183	0.4	22,023,723	11.8
Enforcement	663	1.4	10,457,954	5.6
Training and education	128	0.3	10,371,689	5.5
Procurement-monitoring	498	1.0	6,985,462	3.7
Procurement-awarding	166	0.3	3,079,679	1.6
Travel	1,085	2.2	1,659,545	0.9
Property disposition	532	1.1	1,279,537	0.7
Administrative services	297	0.6	549,553	0.3
Health care or social services	182	0.4	530,876	0.3
Other areas	1,036	2.1	1,688,792	0.9
Unknown	31	0.1	22,036	(a)
Total	48,819	100.0	\$186,964,711	100.0

a/Less than 0.1 percent.

The functional areas and the types of fraud were combined to indicate where efforts to reduce monetary loss should be directed. Approximately 72 percent of the total monetary loss fell into five combinations: (1) financial aid and false statements, (2) other miscellaneous areas and false statements, (3) inventory controls and theft, (4) financial aid and other miscellaneous types, and (5) mail service and theft. Table 31 presents these combinations and the monetary loss associated with each combination.

Table 31

Combinations of Functional Area and Type of Fraud
That Accounted for Most of the Monetary Loss

<u>Functional area</u>	<u>Type of fraud</u>	<u>Number of cases</u>	<u>Cases with monetary loss</u>	<u>Monetary loss</u>	<u>Percentage of total monetary loss</u>
Financial aid (including loan guarantees and loans)	False statements	15,685	12,606	\$ 45,046,447	24.1
Other miscellaneous areas	False statements	2,080	1,537	37,857,623	20.2
Inventory controls	Theft	17,025	16,400	26,592,848	14.2
Financial aid (including loan guarantees and loans)	Other miscellaneous types	6,879	618	14,370,046	7.7
Mail service	Theft	<u>5,981</u>	<u>3,249</u>	<u>10,648,710</u>	<u>5.7</u>
Total for the five combinations		47,650	34,410	134,515,674	71.9
Other functional areas	Other types of fraud	<u>29,561</u>	<u>14,409</u>	<u>52,449,037</u>	<u>28.1</u>
Total		<u>77,211</u>	<u>48,819</u>	<u>\$186,964,711</u>	<u>100.0</u>

Table 10 in chapter 2 shows that four combinations of functional area and type of fraud accounted for the most fraud cases. They were: (1) inventory controls and theft, (2) financial aid and false statements, (3) personal property and theft, and (4) mail service and theft. All these combinations, except personal property and theft, appear in table 31. This combination had 9,738

cases, of which only 850 cases had a monetary loss; 8,461 cases had a potential loss; and 427 cases had other effects. The monetary loss for the 850 cases was only \$796,967 or 0.4 percent of the total monetary loss. The potential loss in the 8,461 cases was not included because claims had not been filed or settled.

Monetary loss by participant

Many different types of individuals and organizations committed fraud against the Government. Individual recipients of Federal assistance and other individual citizens participated in the cases that involved 30 percent of the total monetary loss. However, Federal employees committed fraud that resulted in 23 percent of the loss, and 22 percent of the loss involved corporate or business entities. For 9 percent of the loss, the Federal agencies were unable to identify suspects; these were primarily theft cases that involved small monetary losses.

The participant categories and the monetary losses associated with them are shown in table 32.

Table 32

Monetary Loss by Participant Category

<u>Participant category</u>	<u>Cases with monetary loss</u>		<u>Monetary loss</u>	
	<u>Number</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Federal employees only	13,262	27.2	\$ 27,713,727	14.8
Federal employees with others	1,574	3.2	15,534,190	8.3
State and local government; Federal contractor or grantee personnel	1,586	3.2	29,475,806	15.8
Corporate or business entities	1,662	3.4	41,864,295	22.4
Individual recipients of Federal assistance	11,605	23.8	42,723,204	22.9
Other individual citizens	4,122	8.4	13,729,567	7.3
Unknown	15,006	30.7	15,923,922	8.5
Total	<u>48,819</u>	<u>100.0</u>	<u>\$186,964,711</u>	<u>100.0</u>

Monetary loss by agency

The monetary loss for each agency is presented in table 33 because it provides valuable information for analysis. However,

agency-by-agency comparisons can sometimes be misinterpreted or be misleading for the reasons stated on page 16.

Table 33

Monetary Loss by Agency

<u>Agency</u>	<u>Cases with monetary loss</u>	<u>Amount of loss</u>
Civil:		
Social Security Administration	11,389	\$ 31,712,785
U.S. Postal Service	7,586	15,043,845
Agriculture	1,272	11,728,364
Veterans Administration	1,136	6,606,286
Treasury	1,209	7,410,087
Housing and Urban Development	689	3,023,795
General Services Administration	1,069	12,540,082
Small Business Administration	533	18,549,221
Energy	564	978,077
Transportation	428	2,246,101
Labor	419	14,588,652
Health, Education, and Welfare	234	18,573,840
Commerce	47	940,656
Interior	94	238,260
Environmental Protection Agency	96	2,575,573
Community Services Administration	58	4,093,074
Justice	54	570,679
Total for civil agencies	<u>26,877</u>	<u>\$151,419,377</u>
Defense:		
Army	8,681	11,824,211
Navy	9,613	16,174,383
Marine Corps	2,755	4,570,786
Defense Logistics Agency	597	2,798,151
Army-Air Force Exchange Service	293	170,636
Department of Defense (other)	4	7,165
Total for Defense agencies	<u>21,943</u>	<u>\$ 35,545,332</u>
Total	<u>48,819</u>	<u>\$186,964,711</u>

During our analysis of the monetary loss at each agency, we determined the type of fraud that accounted for the largest percentage of the agency's total loss. Theft and false statements accounted for the largest percentage in 17 of the 23 agencies shown above. Table 34 presents the type of fraud with the largest loss percentage at each agency.

Table 34

Type of Fraud That Accounted For The Largest
Monetary Loss At Each Agency

<u>Agency</u>	<u>Type of fraud</u>	<u>Number of cases</u>	<u>Percentage of total agency loss cases</u>	<u>Monetary loss</u>	<u>Percentage of total agency loss</u>
Civil:					
Social Security Administration	False statements	10,434	92	\$29,277,756	92
U.S. Postal Service	Theft	5,008	66	12,051,766	80
Agriculture	False statements	691	54	7,443,655	63
Veterans Administration	False statements	904	80	3,859,275	58
Treasury	Kickback/bribe	293	24	4,734,697	64
Housing and Urban Development	False statements	402	58	1,973,378	65
General Services Administration	Theft	893	84	10,287,275	82
Small Business Administration	Miscellaneous	346	65	11,092,784	60
Energy	Theft	477	85	741,006	76
Transportation	False statements	94	22	1,239,437	55
Labor	False statements	280	67	10,013,523	69
Health, Education, and Welfare	False statements	165	71	17,555,835	95
Commerce	Theft	12	26	685,928	73
Interior	Theft	39	41	144,851	61
Environmental Protection Agency	False statements	49	51	2,168,654	84
Community Services Administration	Nonperformance of contract terms	23	40	2,881,936	70
Justice	Miscellaneous	11	20	257,142	45
Defense:					
Army	Theft	6,853	79	7,054,248	60
Navy	Miscellaneous	1,285	13	8,519,762	53
Marine	Theft	2,250	82	4,031,467	88
Defense Logistics Agency	Theft	488	82	998,208	36
Army-Air Force Exchange Service	Nonperformance of contract terms	26	9	76,949	45
Department of Defense (other)	Miscellaneous	4	100	7,165	100

THE NONMONETARY EFFECTS OF FRAUD

The cost of fraud and other illegal activities cannot always be measured in dollars and cents. The nonmonetary effects must also be considered in evaluating the seriousness of incidents of fraud against the Government.

Possibly the most serious nonmonetary effect is the loss of confidence in the Government's ability to efficiently and effectively manage its programs. This occurs when members of the public believe that individuals can commit illegal acts without fear of prompt, or possibly any, Federal action. Such perceptions, whether valid or not, can lead to the view that fraudulent activities are the norm.

Of the 77,211 known fraud cases, 28,390 cases did not involve a monetary loss. We were able to identify potential nonmonetary effects in 17,060 of these cases, as shown in table 35.

Table 35

Cases With Nonmonetary Effects

<u>Effects that occurred or may occur</u>	<u>Number</u>	<u>Percent</u>
Recipients did not receive intended benefits	6,005	35.2
Recipients received benefits for which they were ineligible	5,058	29.6
Recipients did not receive their benefits	2,629	15.4
Potential harmful effects to health or safety of individuals	634	3.7
Recipients received benefits greater than entitled to	483	2.8
Unauthorized disclosure of information	185	1.1
Preferred treatment	34	0.2
Potential harmful effects to State or local economies	7	(a)
Other miscellaneous effects	<u>2,025</u>	<u>11.9</u>
Total	<u>17,060</u>	<u>100.0</u>

a/Less than 0.1 percent.

Of the remaining cases there were 9,160 cases with potential for a loss claim and 2,170 cases where the effect was unknown. The cases that had a potential loss claim occurred in the Defense agencies and were primarily thefts of personal property from military barracks. These cases may result in monetary losses to the

Government because agencies have the authority to reimburse their employees for personal property stolen from or damaged in living quarters assigned by the Government. The Department of the Army paid about \$1.6 million in fiscal 1979 to claimants who had personal property stolen. Data on the total claims paid by the Department of the Navy were not available.

Examples of nonmonetary effects

Recipients did not receive the intended benefits, received benefits for which they were ineligible, did not receive benefits, or received benefits greater than they were entitled to in 14,175 cases (50 percent of the nonmonetary effect cases). Violations such as these threaten the integrity of programs and could lead to the eventual loss of benefits for the vast majority of program participants who obey the rules. Some of the nonmonetary effects of fraud and other illegal activities are illustrated by the following.

Recipients did not receive the intended benefits

The Department of Agriculture caught an individual trafficking in food stamps when he purchased \$50 in food stamps from an undercover agent. The individual had been suspected of purchasing food stamps from eligible persons. These persons would receive cash for the food stamps rather than redeeming them for food as intended by the Government.

Recipients received benefits for which they were ineligible

The Department of Housing and Urban Development denied mortgage insurance to a mortgagee after a routine check indicated that the mortgagee had had a previous foreclosure. The mortgagee tried to obtain the mortgage insurance, a benefit for which he was ineligible, by signing an application that stated he had had no foreclosures. In a similar case an individual obtained a Veterans Administration guaranteed loan by failing to disclose that he had recently been foreclosed on a loan insured by the Department of Housing and Urban Development.

Recipients did not receive their benefits

The Postal Service suspected the operator of a lettersorting machine of stealing over 200 first-class letters. The operator's supervisor saw her steal a letter. When confronted, she admitted to stealing that letter and one other, but she did not admit to stealing any of the other 200 missing letters. The addressees of the stolen letters never received their mail.

Recipients received benefits
greater than entitled to

The Department of Commerce discovered that a Federal contractor applied the total cost of concrete piping obtained through a minority business enterprise to his 10-percent minority business requirement. The minority business enterprise had obtained the piping from a nonminority wholesaler. The contractor should have applied only the markup and any additional processing costs, such as the cost of painting the piping, to his 10-percent requirement. The contractor would not have qualified for the Government contract if he had not overstated minority participation.

Potential harmful effects
on the health or safety of individuals

The Environmental Protection Agency found that the superintendent of a municipal wastewater treatment plant and at least three others were involved in a scheme to falsify discharge reports required by Federal law. The individuals intentionally dumped raw sewage into the river and falsified reports on the amount of sewage released.

Nonmonetary loss cases
by type of fraud and functional area

Nonmonetary loss cases occurred in all types of fraud and in all functional areas. Tables 36 and 37 show that theft was the most common type of fraud and personal property was the most common functional area.

Table 36

Nonmonetary Loss Cases by Type of Fraud

<u>Type of fraud</u>	<u>Number</u>	<u>Percent</u>	<u>Percent of total (77,211)</u>
Work hour abuse	150	0.5	0.2
Private use of Government property	189	0.7	0.2
Extortion	298	1.0	0.4
Forgery	622	2.2	0.8
Kickback/bribe	395	1.4	.5
False statement	5,659	19.9	7.3
Nonperformance of contract terms	80	0.3	0.1
Theft	13,039	45.9	16.9
Miscellaneous fraud	<u>7,958</u>	<u>28.0</u>	<u>10.3</u>
Total	<u>28,390</u>	<u>100.0</u>	<u>36.8</u>

Table 37

Nonmonetary Loss Cases by Functional Area

<u>Functional area</u>	<u>Number</u>	<u>Percent</u>	<u>Percent of total (77,211)</u>
Financial assistance to individuals	8,008	28.2	10.4
Inventory controls	1,153	4.1	1.5
Personal property	8,973	31.6	11.6
Mail service	3,377	11.9	4.4
Personnel	2,821	9.9	3.7
Cash control	65	0.2	0.1
Loans and loan guarantees	1,887	6.6	2.4
Payroll	230	0.8	0.3
Other miscellaneous areas	1,760	6.2	2.3
Unknown	<u>117</u>	<u>0.4</u>	<u>0.2</u>
Total	<u>28,390</u>	<u>100.0</u>	<u>36.8</u>

We compared type of fraud by functional area for the nonmonetary cases and found that the combination of theft and personal property cases accounted for about one-third of the nonmonetary loss cases.

CHAPTER 5

HOW WAS FRAUD DISCOVERED?

Many different types of fraud were committed against the Federal Government by many different people and the ways in which fraud was discovered or detected also varied considerably. We combined the vehicle of discovery or detection into 11 major categories. Most of the fraud was discovered by Federal employees (34 percent), compliance or eligibility reviews (20 percent), victims of the fraud (13 percent), or private individuals (10 percent). Together these four categories accounted for 76 percent of the ways in which fraud was discovered. The following table shows how fraud was discovered in the estimated 77,211 cases for the 2-1/2 year period covered by our review.

Table 38

How Fraud Was Discovered

<u>Vehicle of discovery</u>	<u>Number of cases</u>	<u>Percent</u>
Federal employee	26,151	33.9
Compliance or eligibility review	15,039	19.5
Victim of fraud	9,985	12.9
Private individual	7,615	9.9
Other	3,863	5.0
Contractor, grantee, or State or local government personnel	3,635	4.7
Investigation	3,368	4.4
Anonymous or paid informant	2,490	3.2
Unknown	1,995	2.6
Audit	1,946	2.5
Inspection	<u>1,122</u>	<u>1.5</u>
Total	<u>77,211</u>	<u>100.0</u>

ELAPSED TIME BETWEEN COMMITMENT AND DISCOVERY OF FRAUD

We tried to determine approximately how much time had elapsed between commitment of fraud and detection. We found that about 64 percent of the 77,211 known fraud cases were discovered less than 3 months after the fraud occurred. Table 39 shows various ranges of elapsed time between commitment and discovery for the 77,211 cases of fraud.

Table 39

Elapsed Time Between Commitment
and Discovery of Fraud

<u>Elapsed time</u>	<u>Number of cases</u>	<u>Percent</u>
Less than 3 months	49,246	63.8
3 to 6 months	5,244	6.8
6 months to 1 year	4,685	6.1
1 year to 2 years	5,750	7.4
More than 2 years	6,769	8.8
Unknown	<u>5,514</u>	<u>7.1</u>
Total	<u>77,211</u>	<u>100.0</u>

We compared the elapsed time between fraud commitment and discovery for the major types of fraud and found significant differences. This was especially true for the two major types of fraud (theft and false statements) which together accounted for approximately 75 percent of the fraud cases. As expected, a very high percentage (86 percent) of the fraud cases involving theft were discovered less than 3 months after the fraud occurred. On the other hand, only about 20 percent of the false statement fraud cases were discovered within 3 months of occurrence. Elapsed time between commitment and discovery of fraud by major types of fraud is shown in table 40.

ELAPSED TIME BETWEEN COMMITMENT AND DISCOVERY
OF FRAUD BY METHOD OF DISCOVERY

We next compared elapsed time between commitment and discovery of fraud with the method of discovery to determine how quickly fraud was discovered under each method. As expected, about 99 percent of the cases in which the fraud was discovered by the victims of the fraud were discovered within 3 months of the time of occurrence. Eighty-two percent of the fraud discovered by Federal employees was discovered within 3 months of occurrence.

Only 42 percent of fraud discovered through compliance or eligibility reviews was discovered within 3 months of occurrence. This could be attributed to the fact that many compliance or eligibility reviews are made several months or more after application for or receipt of Federal assistance. For example, in one-third of the cases discovered through compliance or eligibility reviews, the fraud was not discovered for at least 1 year after it was committed, and in 22 percent of the cases more than 2 years elapsed before discovery. Table 41 shows the elapsed time between commitment and discovery of fraud for each of the methods of discovery.

TABLE 40
MAJOR TYPE OF FRAUD BY ELAPSED TIME

ELAPSED TIME	MAJOR TYPE OF FRAUD									TOTAL PER CATEGORY
	THEFT	FALSE STATEMENTS	OTHER TYPES OF FRAUD	FORGERY	WORK HOUR ABUSE	KICKBACK OR BRIBE	PRIVATE USE OF GOVERNMENT PROPERTY	EXTORTION	CONTRACT TERMS WERE NOT PERFORMED	
LESS THAN 3 MONTHS										
NUMBER	32109	4025	10312	960	633	485	392	207	124	49248
PERCENT	85.6	19.5	76.8	51.5	53.7	57.5	50.7	41.1	27.7	63.8
3 TO 6 MONTHS										
NUMBER	1720	2121	751	233	165	53	97	32	71	5244
PERCENT	4.6	10.3	5.6	12.5	14.0	6.3	12.5	6.3	15.9	6.8
6 MONTHS TO 1 YEAR										
NUMBER	853	2860	526	117	89	22	29	168	21	4685
PERCENT	2.3	13.8	3.9	6.3	7.5	2.6	3.8	33.4	4.7	6.1
1 TO 2 YEARS										
NUMBER	862	4302	189	153	69	16	72	-	87	5750
PERCENT	2.3	20.8	1.4	8.2	5.9	1.9	9.3	-	19.4	7.4
MORE THAN 2 YEARS										
NUMBER	434	5463	203	279	48	110	54	86	93	6770
PERCENT	1.2	26.5	1.5	15.0	4.1	13.0	7.0	17.0	20.8	8.8
UNKNOWN										
NUMBER	1542	1877	1453	121	174	157	128	11	51	5514
PERCENT	4.1	9.1	10.8	6.5	14.8	18.6	16.6	2.3	11.3	7.1
TOTAL										
NUMBER	37519	20648	13434	1863	1179	844	773	504	448	77211
PERCENT	100.0	100.0	100.0	100.0	100.0	99.9	100.0	100.0	99.9	100.0

TABLE 41
METHOD OF DISCOVERY BY ELAPSED TIME

ELAPSED TIME	HOW DISCOVERED											TOTAL PER CATEGORY
	FEDERAL WORKERS	COMPLIANCE ELIGIBILITY REVIEW	VICTIM	PRIVATE CITIZEN	OTHER	STATE/LOCAL, FEDERAL CONTRACTOR OR GRANTEE PERSONNEL	INVESTIGATION	INFORMANT	UNKNOWN	AUDIT	INSPECTION	
LESS THAN 3 MONTHS												
NUMBER	21496	6303	9839	3536	1954	1595	1548	1188	634	792	362	49248
PERCENT	82.2	41.9	98.5	46.4	50.6	43.9	46.0	47.7	31.8	40.7	32.3	63.8
3 TO 6 MONTHS												
NUMBER	1227	885	80	1086	537	162	500	133	70	177	387	5244
PERCENT	4.7	5.9	0.8	14.3	13.9	4.4	14.8	5.3	3.5	9.1	34.4	6.8
6 MONTHS TO 1 YEAR												
NUMBER	903	1285	26	1156	210	393	297	119	83	177	36	4685
PERCENT	3.5	8.5	0.3	15.2	5.4	10.8	8.8	4.8	4.2	9.1	3.2	6.1
1 TO 2 YEARS												
NUMBER	695	2266	40	507	547	481	273	275	219	290	157	5750
PERCENT	2.7	15.1	0.4	6.7	14.2	13.2	8.1	11.1	11.0	14.9	14.0	7.4
MORE THAN 2 YEARS												
NUMBER	708	3259	-	576	340	537	276	377	384	299	14	6770
PERCENT	2.7	21.7	-	7.6	8.8	14.8	8.2	15.2	19.2	15.4	1.3	8.8
UNKNOWN												
NUMBER	1122	1042	-	755	275	468	473	397	606	210	166	5514
PERCENT	4.3	6.9	-	9.9	7.1	12.9	14.0	16.0	30.4	10.8	14.8	7.1
TOTAL												
NUMBER	26152	15040	9985	7615	3863	3636	3368	2490	1995	1946	1122	77211
PERCENT	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

MAJOR TYPE OF FRAUD BY METHOD OF DISCOVERY

We compared the type of fraud with the way it was discovered. We found that 44 percent of the theft cases, which accounted for almost half of the fraud cases, were discovered by Federal employees while 25 percent were discovered by the victims of the fraud. In our examination of the false statement cases, which represented slightly more than a quarter of the total fraud cases, we found that 38 percent were detected by Federal employees through compliance or eligibility reviews. Table 42 shows how each of the major types of fraud was discovered.

FUNCTIONAL AREAS BY METHOD OF DISCOVERY

The way fraud was discovered or detected varied considerably from one functional area to another. Sixty-three percent of the fraud in the functional area of financial assistance to individuals was detected through compliance or eligibility reviews. Seventy-four percent of the inventory control cases were discovered by Federal employees. Eighty-six percent of the personal property cases were reported by the victims of the fraud, Federal employees and servicemen who had personal items stolen from them while on official Government business. Sixty-four percent of the fraud in the mail service area was discovered by private individuals or Federal employees. Table 43 shows how fraud in each of the various functional areas was discovered.

PARTICIPANTS IN FRAUD BY METHOD OF DISCOVERY

The way fraud was discovered or detected also varied according to who committed it. Fraud was discovered more often by Federal employees than through any other vehicle when the participants were (1) unknown (51 percent), (2) Federal employees only (42 percent), (3) other individual citizens (36 percent), and (4) Federal employees with others (36 percent). Almost two-thirds of the fraud committed by corporate or business entities and 52 percent of the fraud committed by individual recipients of Federal assistance was discovered through compliance or eligibility reviews. Fraud committed by State and local government, Federal contractor, or grantee personnel was discovered by Federal employees in about 30 percent of the cases and by the contractor, grantee, or State and local government personnel in another 30 percent of the cases. Table 44 shows how fraud was discovered for each of the participant categories.

TABLE 42
MAJOR TYPE OF FRAUD
BY METHOD OF DISCOVERY

<u>HOW DISCOVERED</u>	<u>MAJOR TYPE OF FRAUD</u>										<u>TOTAL PER CATEGORY</u>
	<u>THEFT</u>	<u>FALSE STATEMENTS</u>	<u>OTHER TYPES OF FRAUD</u>	<u>FORGERY</u>	<u>WORK HOUR ABUSE</u>	<u>KICKBACK OR BRIBE</u>	<u>PRIVATE USE OF GOVERNMENT PROPERTY</u>	<u>EXTORTION</u>	<u>CONTRACT TERMS WERE NOT PERFORMED</u>		
<u>AUDIT</u>											
NUMBER	1015	373	417	28	41	20	-	-	52	1946	
PERCENT	2.7	1.8	3.1	1.5	3.5	2.4	-	-	11.6	2.5	
<u>INSPECTION</u>											
NUMBER	740	42	284	1	26	-	1	-	28	1122	
PERCENT	2.0	0.2	2.1	0.1	2.2	-	0.1	-	6.2	1.5	
<u>INVESTIGATION</u>											
NUMBER	1011	1884	260	97	29	62	19	-	6	3368	
PERCENT	2.7	9.1	1.9	5.2	2.5	7.4	2.5	-	1.3	4.4	
<u>COMPLIANCE REVIEW (NOTE A)</u>											
NUMBER	1004	7772	5809	291	5	12	66	75	5	15040	
PERCENT	2.7	37.6	43.2	15.6	0.4	1.5	8.6	14.8	1.1	19.5	
<u>FEDERAL EMPLOYEE</u>											
NUMBER	16632	3172	3885	787	807	437	293	32	107	26152	
PERCENT	44.3	15.4	28.9	42.2	68.5	51.8	37.9	6.3	23.9	33.9	
<u>STATE AND LOCAL EMPLOYEE (NOTE B)</u>											
NUMBER	1218	1361	471	72	19	75	67	204	148	3636	
PERCENT	3.2	6.6	3.5	3.8	1.6	8.9	8.7	40.5	33.1	4.7	
<u>PRIVATE INDIVIDUAL</u>											
NUMBER	3532	2347	1147	143	21	119	93	180	33	7615	
PERCENT	9.4	11.4	8.5	7.7	1.8	14.0	12.0	35.8	7.4	9.9	
<u>INFORMANT</u>											
NUMBER	834	912	380	28	171	33	102	-	31	2490	
PERCENT	2.2	4.4	2.8	1.5	14.5	3.9	13.2	-	6.9	3.2	
<u>VICTIM</u>											
NUMBER	9475	111	287	109	-	3	-	-	-	9985	
PERCENT	25.3	0.5	2.1	5.9	-	0.3	-	-	-	12.9	
<u>OTHER</u>											
NUMBER	1544	1538	398	173	41	36	89	13	33	3863	
PERCENT	4.1	7.4	3.0	9.3	3.4	4.2	11.5	2.6	7.3	5.0	
<u>UNKNOWN</u>											
NUMBER	513	1136	98	136	18	47	43	-	5	1995	
PERCENT	1.4	5.5	0.7	7.3	1.6	5.5	5.5	-	1.1	2.6	
<u>TOTAL</u>											
NUMBER	37519	20648	13434	1863	1179	844	773	504	448	77211	
PERCENT	100.0	100.0	100.0	100.0	100.0	99.9	100.0	100.0	99.9	100.0	

A/INCLUDES ELIGIBILITY REVIEWS.

B/INCLUDES FEDERAL CONTRACTOR AND GRANTEE PERSONNEL.

TABLE 43
METHOD OF DISCOVERY BY FUNCTIONAL AREA

FUNCTIONAL AREA	HOW DISCOVERED											TOTAL PER CATEGORY	PERCENT OF TOTAL CASES	
	FEDERAL WORKERS	COMPLIANCE ELIGIBILITY REVIEW	VICTIM	PRIVATE CITIZEN	OTHER	STATE/LOCAL, FEDERAL CONTRACTOR OR GRANTEE PERSONNEL	INVESTIGATION	INFORMANT	UNKNOWN	AUDIT	INSPECTION			
FINANCIAL AID														
NUMBER	1258	13384	-	2226	874	1492	493	872	570	85	13	21266		
PERCENT	5.9	62.9	-	10.5	4.1	7.0	2.3	4.1	2.7	0.4	0.1	100.0	27.5	
INVENTORY CONTROL														
NUMBER	14384	59	901	876	726	761	123	561	365	234	471	19460		
PERCENT	73.9	0.3	4.6	4.5	3.7	3.9	0.6	2.9	1.9	1.2	2.4	100.0	25.2	
PERSONAL PROPERTY														
NUMBER	598	-	8552	340	258	-	87	85	-	-	-	9921		
PERCENT	6.0	-	86.2	3.4	2.6	-	0.9	0.9	-	-	-	100.0	12.8	
MAIL SERVICE														
NUMBER	2335	334	16	2701	366	309	732	125	109	443	354	7824		
PERCENT	29.8	4.3	0.2	34.5	4.7	4.0	9.4	1.6	1.4	5.7	4.5	100.0	10.1	
PERSONNEL														
NUMBER	968	61	13	196	501	125	1129	211	185	3	24	3417		
PERCENT	28.3	1.8	0.4	5.7	14.7	3.7	33.0	6.2	5.4	0.1	0.7	100.0	4.4	
CASH CONTROL														
NUMBER	1657	495	-	115	92	124	128	57	76	502	-	3246		
PERCENT	51.1	15.2	-	3.5	2.8	3.8	3.9	1.7	2.3	15.5	-	100.0	4.2	
LOAN GUARANTEES-LOANS														
NUMBER	905	350	-	534	336	232	-	100	505	250	28	3239		
PERCENT	27.9	10.8	-	16.5	10.4	7.2	-	3.1	15.6	7.7	0.9	100.0	4.2	
PAYROLL														
NUMBER	1150	7	203	138	196	46	111	173	64	48	27	2164		
PERCENT	53.2	0.3	9.4	6.4	9.1	2.1	5.1	8.0	3.0	2.2	1.3	100.0	2.8	
OTHER MISCELLANEOUS AREAS														
NUMBER	2895	320	300	487	430	546	564	307	92	381	206	6527		
PERCENT	44.4	4.9	4.6	7.5	6.6	8.4	8.6	4.7	1.4	5.8	3.2	100.0	8.5	
UNKNOWN														
NUMBER	3	29	-	3	85	-	-	-	29	-	-	148		
PERCENT	1.9	19.4	-	2.1	57.3	-	-	-	19.4	-	-	100.0	0.2	
TOTAL														
NUMBER	26152	15040	9985	7615	3863	3636	3368	2490	1995	1946	1122	77211		
PERCENT	33.9	19.5	12.9	9.9	5.0	4.7	4.4	3.2	2.6	2.5	1.5	100.0	100.0	

TABLE 44
PARTICIPANT CATEGORY OF FRAUD
BY METHOD OF DISCOVERY

HOW DISCOVERED	CATEGORY OF PARTICIPANTS IN FRAUD								TOTAL PER AGENCY
	FEDERAL GOVERNMENT EMPLOYEES ONLY	FEDERAL GOVERNMENT EMPLOYEES WITH OTHERS	STATE/LOCAL, FEDERAL CONTRACTOR OR GRANTEE PERSONNEL	CORPORATE OR BUSINESS ENTITY	INDIVIDUAL RECIPIENT OF FEDERAL ASSISTANCE	OTHER INDIVIDUAL CITIZENS	UNKNOWN		
AUDIT	NUMBER PERCENT	1020 5.1	43 1.5	338 17.3	199 2.2	115 0.8	21 0.3	209 0.9	1946 2.5
INSPECTION	NUMBER PERCENT	695 3.5	5 0.2	8 0.4	28 0.3	40 0.3	- -	347 1.5	1122 1.5
INVESTIGATION	NUMBER PERCENT	1628 8.2	282 10.0	91 4.7	265 2.9	223 1.6	777 12.8	102 0.4	3368 4.4
COMPLIANCE REVIEW (NOTE A)	NUMBER PERCENT	1002 5.1	34 1.2	86 4.4	5820 64.0	7175 51.8	889 14.6	35 0.1	15040 19.5
FEDERAL EMPLOYEE	NUMBER PERCENT	8271 41.7	886 31.3	580 29.7	755 8.3	1569 11.3	2184 35.9	11907 50.5	26152 33.9
STATE AND LOCAL EMPLOYEE (NOTE B)	NUMBER PERCENT	291 1.5	170 6.0	584 29.9	371 4.1	1173 8.5	318 5.2	729 3.1	3636 4.7
PRIVATE INDIVIDUAL	NUMBER PERCENT	2356 11.9	394 13.9	96 4.9	619 6.8	1680 12.1	832 13.7	1639 7.0	7615 9.9
INFORMANT	NUMBER PERCENT	906 4.6	304 10.8	68 3.5	332 3.6	722 5.2	44 0.7	114 0.5	2490 3.2
VICTIM	NUMBER PERCENT	2383 12.0	44 1.5	- -	- -	- -	87 1.4	7472 31.7	9985 12.9
OTHER	NUMBER PERCENT	1041 5.3	523 18.5	70 3.6	163 1.8	721 5.2	736 12.1	610 2.6	3863 5.0
UNKNOWN	NUMBER PERCENT	229 1.2	144 5.1	31 1.6	542 6.0	441 3.2	193 3.2	414 1.8	1995 2.6
TOTAL	NUMBER PERCENT	19821 100.0	2828 100.0	1952 100.0	9094 100.0	13858 100.0	6081 100.0	23577 100.0	77211 100.0

A/INCLUDES ELIGIBILITY REVIEWS.

B/INCLUDES FEDERAL CONTRACTOR AND GRANTEE PERSONNEL.

OCCUPATION OR POSITION
OF FEDERAL EMPLOYEES INVOLVED IN FRAUD
BY METHOD OF DISCOVERY

Our examination of fraud cases in which the fraud was committed by Federal employees showed that about 51 percent of employees were members of the armed forces and 25 percent were clerical workers. When members of the armed forces were involved in fraud it was usually discovered by other Federal employees (47 percent) or victims of the fraud (21 percent). Fraud committed by clerical workers was usually discovered by other Federal employees (29 percent) or private individuals (22 percent). Table 45 shows the occupation or position of Federal employees involved in fraud by method of discovery.

METHOD OF DISCOVERY BY AGENCY

We also found that the way in which fraud was detected or discovered varied from one agency to another. We feel this was due primarily to the agencies' missions or objectives and the programs they were authorized to carry out. For example, 60 percent of the fraud committed against the Government through programs administered by the Social Security Administration was discovered by compliance or eligibility reviews. This is not surprising since most of the programs deal with providing benefits to individuals based on statements made by them when applying for Federal aid or benefits. Compliance and eligibility reviews are made periodically to make sure program participants are eligible for benefits and are complying with program regulations. On the other hand, 76 percent of the fraud at the General Services Administration was discovered by Federal employees. This is not unexpected because the agency's mission makes it prone to theft, and most theft cases are discovered when an employee notices something is missing. Table 46 shows the method of discovery at the agencies included in our review.

TABLE 45
METHOD OF DISCOVERY
BY OCCUPATION OR POSITION OF THE FEDERAL EMPLOYEE

OCCUPATION OR POSITION	HOW DISCOVERED											TOTAL PER CATEGORY	PERCENT OF TOTAL CASES	
	FEDERAL WORKERS	COMPLIANCE ELIGIBILITY REVIEW	VICTIM	PRIVATE CITIZEN	OTHER	STATE/LOCAL, FEDERAL CONTRACTOR OR GRANTEE PERSONNEL	INVESTIGATION	INFORMANT	UNKNOWN	AUDIT	INSPECTION			
CLERICAL WORKERS														
NUMBER	1665	779	-	1249	153	116	713	154	64	743	127	5763		
PERCENT	28.9	13.5	-	21.7	2.7	2.0	12.4	2.7	1.1	12.9	2.2	100.0	25.4	
ARMED FORCES														
NUMBER	5458	95	2413	716	1123	156	628	353	162	44	432	11579		
PERCENT	47.1	0.8	20.8	6.2	9.7	1.3	5.4	3.1	1.4	0.4	3.7	100.0	51.1	
PROGRAM OFFICIALS														
NUMBER	701	107	-	291	235	32	58	253	71	117	20	1886		
PERCENT	37.2	5.7	-	15.4	12.5	1.7	3.1	13.4	3.8	6.2	1.1	100.0	8.3	
WORKERS-LABORERS (NOTE A)														
NUMBER	449	17	13	9	-	94	144	148	-	28	13	914		
PERCENT	49.1	1.9	1.4	1.0	-	10.2	15.7	16.1	-	3.0	1.4	100.0	4.0	
INVESTIGATORS (NOTE B)														
NUMBER	193	-	-	76	23	16	51	108	20	56	-	545		
PERCENT	35.5	-	-	14.0	4.3	3.0	9.4	19.8	3.7	10.3	-	100.0	2.4	
OTHER														
NUMBER	375	19	-	87	1	44	298	70	1	76	30	1002		
PERCENT	37.4	1.9	-	8.7	0.1	4.4	29.8	7.0	0.1	7.6	3.0	100.0	4.4	
UNKNOWN														
NUMBER	316	17	-	321	28	3	17	124	56	-	78	960		
PERCENT	32.9	1.8	-	33.5	3.0	0.3	1.8	12.9	5.8	-	8.1	100.0	4.2	
TOTAL														
NUMBER	9157	1035	2427	2749	1563	461	1909	1210	374	1063	700	22649		
PERCENT	40.4	4.6	10.7	12.1	6.9	2.0	8.4	5.3	1.7	4.7	3.1	100.0	100.0	

A/INCLUDES SKILLED AND SEMISKILLED.
B/INCLUDES INSPECTORS AND LAW ENFORCEMENT OFFICERS.

TABLE 46
METHOD OF DISCOVERY
BY AGENCY

AGENCY	HOW DISCOVERED										TOTAL PER CATEGORY	PERCENT OF TOTAL CASES
	FEDERAL WORKERS	COMPLIANCE ELIGIBILITY REVIEW	VICTIM	PRIVATE CITIZEN	OTHER	STATE/LOCAL, FEDERAL CONTRACTOR OR GRANTEE PERSONNEL	INVESTIGATION	INFORMANT	UNKNOWN	AUDIT		
CIVIL AGENCIES:												
SOCIAL SECURITY ADMIN.												
NUMBER	709	7825	-	1932	815	663	140	582	481	-	-	13147
PERCENT	5.4	59.5	-	14.7	6.2	5.0	1.1	4.4	3.7	-	-	100.0
POSTAL SERVICE												
NUMBER	3952	848	-	2834	338	490	869	231	258	989	353	11162
PERCENT	35.4	7.6	-	25.4	3.0	4.4	7.8	2.1	2.3	8.9	3.2	100.0
AGRICULTURE												
NUMBER	525	5494	-	367	-	663	912	362	111	83	55	8572
PERCENT	6.1	64.1	-	4.3	-	7.7	10.6	4.2	1.3	1.0	0.6	100.0
VETERANS ADMINISTRATION												
NUMBER	382	424	-	234	352	54	2	63	466	-	19	1996
PERCENT	19.1	21.2	-	11.7	17.6	2.7	0.1	3.2	23.3	-	1.0	100.0
TREASURY												
NUMBER	886	77	-	146	20	77	552	58	21	77	78	1994
PERCENT	44.4	3.9	-	7.3	1.0	3.9	27.7	2.9	1.1	3.9	3.9	100.0
HOUSING AND URBAN DEVEL.												
NUMBER	402	-	-	316	-	402	57	86	29	373	-	1665
PERCENT	24.1	-	-	19.0	-	24.1	3.4	5.2	1.7	22.4	-	100.0
GENERAL SERVICES ADMIN.												
NUMBER	855	28	-	17	7	62	38	19	57	26	17	1126
PERCENT	75.9	2.5	-	1.5	0.6	5.5	3.4	1.7	5.1	2.3	1.5	100.0
SMALL BUSINESS ADMIN.												
NUMBER	412	10	-	109	52	22	3	32	29	24	-	692
PERCENT	59.6	1.4	-	15.7	7.4	3.2	0.4	4.6	4.2	3.5	-	100.0
ENERGY												
NUMBER	54	19	-	7	2	484	11	23	7	16	1	624
PERCENT	8.7	3.0	-	1.1	0.3	77.5	1.8	3.7	1.1	2.6	0.2	100.0
TRANSPORTATION												
NUMBER	362	35	-	28	2	20	30	14	28	16	12	548
PERCENT	66.0	6.4	-	5.2	0.4	3.7	5.5	2.6	5.2	2.9	2.2	100.0
LABOR												
NUMBER	171	45	-	4	85	89	-	-	4	30	-	430
PERCENT	39.9	10.5	-	1.0	19.8	20.8	-	-	1.0	7.0	-	100.0
HEALTH, EDUC. AND WELFARE												
NUMBER	80	74	-	23	34	51	-	-	6	11	-	279
PERCENT	28.6	26.5	-	8.2	12.2	18.4	-	-	2.0	4.1	-	100.0
COMMERCE												
NUMBER	106	8	-	-	12	24	8	4	12	4	8	184
PERCENT	57.4	4.3	-	-	6.4	12.8	4.3	2.1	6.4	2.1	4.3	100.0
INTERIOR												
NUMBER	85	6	-	30	-	3	-	12	-	6	-	143
PERCENT	59.6	4.3	-	21.3	-	2.1	-	8.5	-	4.3	-	100.0
ENVIRONMENTAL PROT. AGENCY												
NUMBER	71	3	-	11	3	5	16	14	3	14	-	140
PERCENT	51.0	2.0	-	7.8	2.0	3.9	11.8	9.8	2.0	9.8	-	100.0
COMMUNITY SERVICE ADMIN.												
NUMBER	20	-	-	5	11	28	2	1	1	1	1	70
PERCENT	28.6	-	-	7.1	15.7	40.0	2.9	1.4	1.4	1.4	1.4	100.0
JUSTICE												
NUMBER	5	-	-	8	5	16	-	3	-	19	-	56
PERCENT	9.5	-	-	14.3	9.5	28.6	-	4.8	-	33.3	-	100.0
TOTAL FOR CIVIL AGENCIES												
NUMBER	9077	14896	-	6070	1738	3154	2641	1503	1512	1690	545	42827
PERCENT	21.2	34.8	-	14.2	4.1	7.4	6.2	3.5	3.5	3.9	1.3	100.0

TABLE 46 (CON.)

AGENCY	HOW DISCOVERED											TOTAL PER CATEGORY	PERCENT OF TOTAL CASES	
	FEDERAL WORKERS	COMPLIANCE ELIGIBILITY REVIEW	VICTIM	PRIVATE CITIZEN	OTHER	STATE/LOCAL, FEDERAL CONTRACTOR OR GRANTEE PERSONNEL	INVESTIGATION	INFORMANT	UNKNOWN	AUDIT	INSPECTION			
DEFENSE AGENCIES:														
DEFENSE-ARMY														
NUMBER	6694	53	6951	587	549	13	309	177	79	13	209	15634		
PERCENT	42.8	0.3	44.5	3.8	3.5	0.1	2.0	1.1	0.5	0.1	1.3	100.0	20.2	
DEFENSE-NAVY														
NUMBER	7327	83	1324	662	989	374	307	682	288	201	173	12411		
PERCENT	59.0	0.7	10.7	5.3	8.0	3.0	2.5	5.5	2.3	1.6	1.4	100.0	16.1	
DEFENSE-MARINES														
NUMBER	2329	-	1699	288	564	28	83	87	110	28	173	5388		
PERCENT	43.2	-	31.5	5.3	10.5	0.5	1.5	1.6	2.0	0.5	3.2	100.0	7.0	
DEFENSE LOGISTICS AGENCY														
NUMBER	429	8	11	8	22	53	27	41	5	11	22	639		
PERCENT	67.2	1.3	1.7	1.3	3.5	8.2	4.3	6.5	0.9	1.7	3.4	100.0	0.8	
ARMY-AF EXCHANGE SERVICE														
NUMBER	293	-	-	-	-	13	-	-	-	-	-	307		
PERCENT	95.7	-	-	-	-	4.3	-	-	-	-	-	100.0	0.4	
DEFENSE-OTHER														
NUMBER	2	-	-	-	-	-	-	-	-	3	-	5		
PERCENT	40.0	-	-	-	-	-	-	-	-	60.0	-	100.0	(A)	
TOTAL FOR DEFENSE AGENCIES														
NUMBER	17075	144	9985	1545	2125	481	727	987	483	256	577	34384		
PERCENT	49.7	0.4	29.0	4.5	6.2	1.4	2.1	2.9	1.4	0.7	1.7	100.0	44.5	
TOTAL														
NUMBER	26152	15040	9985	7615	3863	3636	3368	2490	1995	1946	1122	77211		
PERCENT	33.9	19.5	12.9	9.9	5.0	4.7	4.4	3.2	2.6	2.5	1.5	100.0	100.0	

A/LESS THAN 0.1 PERCENT.

CHAPTER 6

WHAT HAPPENED TO THOSE WHO COMMITTED FRAUD?

An agency may take one or more administrative actions against an individual or organization. These include such actions as requiring repayment of the losses, dismissal, suspension or transfer of Federal employees, and debarment or suspension of non-Government organizations.

In addition to any administrative actions taken, the agency may also refer the case to the Department of Justice or U.S. Attorneys for legal action. If the case is accepted, the Department of Justice or U.S. Attorneys may prosecute the individuals or organizations involved under criminal and civil fraud statutes. If the legal action is successful, defendants can be fined, imprisoned, and/or ordered to reimburse the Government.

This chapter will examine the types and severity of the administrative and legal actions taken in the fraud cases. Factors such as occupational position of the participants, type of fraud, and monetary loss will also be examined as they relate to the types of administrative and legal actions taken.

STATUS OF FRAUD CASES

Of the estimated 77,211 fraud cases that occurred during the 2-1/2 years covered by our review, we categorized 72,797 as closed cases because the agency had investigated each, taken the action it considered appropriate, and officially closed the case. We categorized the remaining 4,414 cases as open cases because they had not been officially closed by the agency. For open cases, the possibility exists that additional administrative or legal actions will be taken. The following table shows the types of action taken in the closed and open cases.

Table 47
Status Of Fraud Cases

<u>Type of Action</u>	<u>Closed cases</u>		<u>Open cases</u>		<u>Total cases</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Administrative action only	30,742	42.2	2,884	65.3	33,626	43.6
Legal action only	1,979	2.7	305	6.9	2,284	3.0
Administrative and legal action	3,898	5.4	131	3.0	4,029	5.2
Type of action is unknown	3,148	4.3	-	-	3,148	4.1
No action taken since participant is unknown	22,595	31.0	981	22.2	23,576	30.5
No action taken for other reasons (note a)	<u>10,433</u>	<u>14.3</u>	<u>113</u>	<u>2.6</u>	<u>10,546</u>	<u>13.7</u>
Total	<u>72,797</u>	<u>100.0</u>	<u>4,414</u>	<u>100.0</u>	<u>77,211</u>	<u>100.0</u>

a/The reasons for not taking action although the participant has been identified are given in table 49.

Actions taken by type of fraud

We next examined the actions taken in the fraud cases by the major type of fraud committed. The following table shows the types of action taken in the closed and open cases by the type of fraud committed.

TABLE 48

STATUS OF FRAUD CASES BY TYPE OF FRAUD

TYPE OF ACTION	MAJOR TYPE OF FRAUD									TOTAL PER CATEGORY
	THEFT	FALSE STATEMENTS	OTHER TYPES OF FRAUD	FORGERY	WORK HOUR ABUSE	KICKBACK OR BRIBE	PRIVATE USE OF GOVERNMENT PROPERTY	EXTORTION	CONTRACT TERMS WERE NOT PERFORMED	
CLOSED CASES:										
ADMINISTRATIVE ONLY										
NUMBER	8011	12284	7973	725	639	318	457	112	223	30743
PERCENT	21.4	59.5	59.4	38.9	54.2	37.7	59.1	22.3	49.8	39.8
LEGAL ONLY										
NUMBER	563	988	172	65	11	132	8	-	40	1979
PERCENT	1.5	4.8	1.3	3.5	.9	15.7	1.1	-	8.8	2.6
ADMINISTRATIVE AND LEGAL										
NUMBER	2947	583	225	94	37	7	2	-	3	3898
PERCENT	7.9	2.8	1.7	5.0	3.1	.9	.3	-	.6	5.0
NONE-PARTICIPANT UNKNOWN										
NUMBER	20525	1	1765	269	2	-	10	-	24	22596
PERCENT	54.7	(A)	13.1	14.5	.2	-	1.3	-	5.3	29.3
NONE-OTHER REASONS										
NUMBER	3546	3964	1384	421	274	245	250	230	119	10433
PERCENT	9.5	19.2	10.3	22.6	23.3	29.1	32.3	45.7	26.5	13.5
UNKNOWN										
NUMBER	499	964	1308	28	200	33	29	87	-	3148
PERCENT	1.3	4.7	9.7	1.5	16.9	3.9	3.7	17.2	-	4.1
OPEN CASES:										
ADMINISTRATIVE ONLY										
NUMBER	511	1663	456	119	9	15	4	75	33	2884
PERCENT	1.4	8.1	3.4	6.4	.8	1.8	.5	14.8	7.3	3.7
LEGAL ONLY										
NUMBER	34	130	83	6	-	48	3	-	-	305
PERCENT	.1	.6	.6	.3	-	5.7	.4	-	-	.4
ADMINISTRATIVE AND LEGAL										
NUMBER	75	23	29	-	-	4	-	-	-	131
PERCENT	.2	.1	.2	-	-	.5	-	-	-	.2
NONE-PARTICIPANT UNKNOWN										
NUMBER	805	-	19	120	-	20	10	-	7	981
PERCENT	2.1	-	.1	6.4	-	2.4	1.3	-	1.5	1.3
NONE-OTHER REASONS										
NUMBER	3	48	19	17	6	19	-	-	-	113
PERCENT	(A)	.2	.1	.9	.5	2.3	-	-	-	.1
TOTAL FOR CLOSED AND OPEN CASES										
NUMBER	37519	20648	13434	1863	1179	844	773	504	448	77211
PERCENT	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

A/ LESS THAN 0.1 PERCENT.

Reasons why no administrative action taken

As can be observed from table 47, no action was taken in 34,122 cases or 44.2 percent of the total estimated fraud cases. No action was taken in 23,576 cases (30.5 percent) because the culprits were never identified; we have classified them as unknown. No action was taken in another 10,546 cases (13.7 percent of the total cases and 19.7 percent of the cases where suspects were identified) for various other reasons such as the statute of limitations had passed, evidence was inadequate, or the employee resigned and the agency felt the matter was not worth pursuing. The following table shows the reasons why no action was taken when the participant was known.

Table 49

Reasons Why No Administrative Action Was Taken
In Fraud Cases Where the Participant Was Known

<u>Reasons</u>	<u>Number of cases</u>	<u>Percent</u>
Federal employee resigned and agency felt alleged fraud not worth pursuing	775	7.4
Statute of limitations had expired	47	0.4
Lack of adequate evidence	2,636	25.0
Immaterial amount involved or isolated incident	454	4.3
Fraud committed/suspect identified/prosecution declined	139	1.3
Insufficient evidence for legal action	296	2.8
Contractor or grantee took action against employee	119	1.1
Other reasons	3,827	36.3
Unknown	<u>2,253</u>	<u>21.4</u>
Total	<u>10,546</u>	<u>100.0</u>

Various types of administrative and/or legal action were taken against the identified fraud participants. The statistics and analyses in the remainder of this chapter are based on the 72,797 closed cases. Officially closed cases are used because the agency has completed its investigation and taken all planned administrative and/or legal action against fraud participants.

ADMINISTRATIVE ACTION TAKEN
AGAINST FEDERAL EMPLOYEES

Federal agencies have the authority to take administrative action against Federal employees who commit fraud. During the 2-1/2 years covered by our review, there were 21,635 cases in which Federal employees were involved in fraud against the Government. In 1,054 of these cases we were unable to determine the types of action taken against the Federal employees. In 5,436 of the 20,581 remaining cases, or about 26.4 percent, the Federal employee was identified but no action was taken. In the remaining 15,145 cases, a total of 21,504 administrative actions were taken against the Federal employees involved in the frauds. Table 50 shows the number of times the various types of administrative action were taken against Federal employees. Also included in table 50 are cases in which no action was taken although the participants were identified. The two most common types of administrative action taken against Federal employees were the establishment of a formal loss recovery plan (25.4 percent) and dismissal of the employee (22.0 percent). Information on the various combinations of administrative action taken against Federal employees is presented in appendix VII.

Table 50
Administrative Actions Taken Against
Federal Employees

<u>Administrative action taken</u>	<u>Number of cases</u>	<u>Percentage of total cases</u>	<u>Only one action taken (10,800 cases)</u>		<u>Two or more actions taken (4,345 cases)</u>		<u>Total administrative actions taken</u>	
			<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Dismissed	2,508	12.2	2,508	23.2	1,445	13.5	3,953	18.4
Resigned pending dismissal	382	1.8	382	3.5	401	3.7	783	3.6
Suspended	592	2.9	592	5.5	1,336	12.5	1,928	9.0
Issued warning letter	852	4.1	852	7.9	350	3.3	1,202	5.6
Issued letter of counseling	180	0.9	180	1.7	182	1.7	362	1.7
Issued oral warning	429	2.1	429	4.0	492	4.6	921	4.3
Demoted	174	0.8	174	1.6	1,425	13.3	1,599	7.4
Transferred	130	0.6	130	1.2	598	5.6	728	3.4
Formal loss recovery plan	2,878	14.0	2,878	26.6	2,588	24.2	5,466	25.4
Extra Duty (military)	137	0.7	137	1.3	680	6.3	817	3.8
Other action	196	1.0	196	1.8	994	9.3	1,190	5.5
Unknown	<u>2,342</u>	<u>11.4</u>	<u>2,342</u>	<u>21.7</u>	<u>213</u>	<u>2.0</u>	<u>2,555</u>	<u>11.9</u>
Cases in which one action taken	10,800	52.5						
Cases in which two or more actions taken	<u>a/4,345</u>	<u>21.1</u>						
Total	<u>15,145</u>	<u>73.6</u>	<u>10,800</u>	<u>100.0</u>	<u>10,704</u>	<u>100.0</u>	<u>21,504</u>	<u>100.0</u>
No administrative action taken	<u>5,436</u>	<u>26.4</u>						
Total	<u>20,581</u>	<u>100.0</u>						

a/ In these cases a total of 10,704 administrative actions were taken.

The category "two or more types of administrative action taken" means that (1) two or more types of administrative action were taken against one Federal employee or (2) one or more types of administrative action were taken against several Federal employees. For example, in one fraud case three types of administrative action were taken against one employee. The employee was demoted, transferred to another location, and agreed to pay back the stolen money through a formal loss recovery plan. In another case four types of administrative actions were taken against three employees. The first employee was dismissed, the second employee was suspended, and the third employee was demoted and transferred. In 4,345 cases (21.1 percent), two or more types of administrative actions were taken. For the various combinations of administrative actions taken, the category with the largest number of cases involved dismissing the employee and taking action to recover the loss. This occurred in 580 cases or 13 percent of the 4,345.

Administrative action taken by type of fraud

We compared the administrative actions taken against Federal employees by type of fraud to determine whether a relationship existed between the type of fraud committed and the type of action taken against the fraud participant. The results of this comparison are shown in table 51.

As the table shows, two or more types of administrative action were taken in 21.1 percent of the cases for seven of the nine major types of fraud. These seven types were work hour abuses (26.3 percent), private use of Government property (17.5 percent), extortion (23.2 percent), forgery (18.0 percent), false statements (21.6 percent), theft (22.6 percent), and miscellaneous fraud (15.1 percent). In kickback or bribery cases, the most common administrative action taken was issuance of a warning letter (22.3 percent). In cases where the major fraud was the nonperformance of contract terms, the most common administrative action was the establishment of a formal loss recovery plan (9.6 percent). It should be noted, however, that in 85.5 percent of the nonperformance of contract term cases, no administrative action was taken.

Administrative action taken by position or occupation

We next examined the types of administrative action taken against Federal employees to determine if they were dispensed uniformly and evenhandedly against all participants. Categories of fraud such as thefts, private use of Government property, and work hour abuses tend to be committed by less skilled workers. Fraud involving false statements, bribes, and nonperformance of contract terms tend to be committed by higher level personnel.

Table 52 shows the types of administrative action taken against Federal employees by occupational category. The table includes only those cases in which one Federal employee was involved in the fraud and one or more administrative actions were taken. This represented 12,050 cases or about 80 percent of the 15,145 cases in which administrative action was taken against Federal employees.

As the table shows, the most frequent type of action taken varies from one occupational category to another. Employee dismissal is the most frequent type of action taken against clerical workers (34.5 percent), while suspension is the most frequent type of action taken against investigators and law enforcement officials (33.3 percent).

In general, dismissal is the most severe type of administrative action taken against a Federal employee. Table 53 ranks the dismissal rates for each occupational category. The dismissal rate is the ratio of the number of cases in which Federal employees were dismissed or resigned pending dismissal to the total number of administrative actions taken. These rates were computed for each occupational category.

TABLE 51

ADMINISTRATIVE ACTIONS TAKEN AGAINST
FEDERAL EMPLOYEES BY TYPE OF FRAUD

TYPE OF ACTION	MAJOR TYPE OF FRAUD									TOTAL PER CATEGORY
	THEFT	FALSE STATEMENTS	OTHER TYPES OF FRAUD	FORGERY	WORK HOUR ABUSE	KICKBACK OR BRIBE	PRIVATE USE OF GOVERNMENT PROPERTY	EXTORTION	CONTRACT TERMS WERE NOT PERFORMED	
DISMISSED	1836	214	294	84	11	33	36	-	1	2508
	PERCENT	7.3	12.0	13.2	1.1	9.6	6.1	-	2.4	12.2
RESIGNED PENDING DISMISSAL	278	13	4	30	54	2	1	-	-	382
	PERCENT	.4	.2	4.7	5.8	.6	.2	-	-	1.9
SUSPENDED	127	49	171	28	137	26	54	-	-	592
	PERCENT	1.7	6.9	4.3	14.8	7.6	9.3	-	-	2.9
WARNING LETTER	371	123	157	13	109	77	3	-	-	852
	PERCENT	4.2	6.4	2.1	11.8	22.3	.5	-	-	4.1
LETTER OR COUNSELING	47	8	87	13	3	14	7	-	-	180
	PERCENT	.3	3.5	2.1	.3	4.1	1.2	-	-	.9
ORAL WARNING	194	44	89	26	3	18	54	-	-	429
	PERCENT	1.5	1.5	3.6	4.1	.3	9.3	-	-	2.1
DEMOTED	64	61	1	28	-	13	6	-	-	174
	PERCENT	2.1	(A)	4.4	-	3.8	1.1	-	-	.8
TRANSFERRED	-	119	3	-	3	-	-	6	-	130
	PERCENT	4.1	.1	-	.3	-	-	9.9	-	.6
FORMAL LOSS RECOVERY PLAN	2257	235	240	-	61	-	82	-	4	2878
	PERCENT	17.9	8.0	9.7	6.5	-	14.2	-	9.6	14.0
EXTRA MILITARY DUTY	85	13	-	40	-	-	-	-	-	137
	PERCENT	.7	.5	-	6.2	-	-	-	-	.7
OTHER	55	28	85	1	11	-	4	13	-	196
	PERCENT	.4	.9	3.4	.2	1.2	.7	23.2	-	1.0
UNKNOWN	1207	608	321	72	20	41	73	-	-	2342
	PERCENT	9.6	20.8	13.0	11.4	2.2	11.9	-	-	11.4
TWO OR MORE ACTIONS	2847	633	372	115	244	19	102	13	1	4345
	PERCENT	22.6	21.6	15.1	18.0	26.3	17.5	23.2	2.4	21.1
NONE	3244	776	640	186	271	100	157	25	36	5436
	PERCENT	25.7	26.5	26.0	29.2	29.3	27.1	43.5	85.5	26.4
TOTAL	12610	2923	2463	637	927	344	580	57	42	20582
	PERCENT	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

A/LESS THAN 0.1 PERCENT

Table 52

Administrative Actions Taken Against Federal
Employees By Occupation of Federal Employees

Administrative action taken	Occupation of Federal employee															
	Clerical workers		Members of the Armed Forces		Program Officials		Skilled and semi- skilled workers		Investigators and law enforcement officials		Other (note a)		Unknown		Total Cases	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Dismissed	1,731	34.5	912	10.9	321	23.0	186	39.6	10	2.9	283	34.0	5	4.7	3,448	20.9
Resigned pending dismissal	542	10.8	19	0.2	64	4.6	0	-	5	1.4	146	17.5	0	-	776	4.7
Suspended	695	13.8	471	5.7	202	14.4	76	16.2	116	33.3	62	7.5	4	3.7	1,626	9.8
Issued warning letter	275	5.5	182	2.2	304	21.7	20	4.3	28	8.0	87	10.4	3	2.8	899	5.4
Issued letter of counseling	164	3.3	17	0.2	40	2.9	0	-	0	-	1	0.1	0	-	222	1.3
Issued oral warning	265	5.3	290	3.5	88	6.3	3	0.6	27	7.8	80	9.6	3	2.8	756	4.6
Demoted	29	0.6	1,040	12.5	25	1.8	26	5.5	27	7.8	0	-	0	-	1,147	7.0
Transferred	115	2.3	244	2.9	89	6.4	0	-	88	25.3	3	0.4	0	-	539	3.3
Formal loss recovery plan	1,021	20.3	2,451	29.4	209	15.0	118	25.1	15	4.3	139	16.7	92	86.0	4,045	24.5
Extra duty (military)	0	-	528	6.3	0	-	0	-	0	-	0	-	0	-	528	3.2
Other	152	3.0	612	7.3	41	2.9	0	-	4	1.2	0	-	0	-	809	4.9
Unknown	31	0.6	1,575	18.9	15	1.0	41	8.7	28	8.0	32	3.8	0	-	1,722	10.4
Total	<u>5,020</u>	<u>100.0</u>	<u>8,341</u>	<u>100.0</u>	<u>1,398</u>	<u>100.0</u>	<u>470</u>	<u>100.0</u>	<u>348</u>	<u>100.0</u>	<u>833</u>	<u>100.0</u>	<u>107</u>	<u>100.0</u>	<u>16,517</u>	<u>100.0</u>

a/ Includes attorneys (2.3 percent), auditors/accountants (23.8 percent), computer personnel (5.6 percent), doctors (.4 percent), and others (67.9 percent).

Table 53

Dismissal Rates for Federal Employees
by Occupational Categories

<u>Occupation</u>	<u>Number of cases</u> <u>in occupational</u> <u>category</u>	<u>Dismissal</u> <u>rate</u> <u>(percent)</u>
Other (note a)	566	65.7
Clerical workers	5,020	45.3
Computer personnel (note b)	47	40.4
Skilled and semiskilled workers	470	39.6
Program officials	1,398	27.5
Auditor/accountants	198	19.2
Members of the Armed Forces	8,341	11.2
Unknown	107	4.7
Investigators and law enforce- ment officers	348	4.3
Attorneys	19	(c)
Doctors	<u>3</u>	(c)
Total	<u>16,517</u>	25.6

a/For the purpose of this analysis we broke out attorneys, auditor/accountants, computer personnel, and doctors from the "other" category.

b/The category "computer personnel" includes entry-level employees such as keypunchers and terminal operators as well as highly trained computer programmers and specialists.

c/Less than 0.1 percent.

The statistics show that a proportionately higher number of workers who are traditionally at lower grade levels are more apt to be fired than those at other grade levels. As table 53 shows, the dismissal rates for clerical and skilled and semiskilled workers were 45.3 percent and 39.6 percent, respectively. This is much higher than the 25.6 percent rate for all cases. In contrast, program officials had a dismissal rate of 27.6 percent which is only slightly higher than the rates for all cases, while investigators and law enforcement officers had a dismissal rate of 4.3 percent which is much lower than the rate for all cases.

Relationship between dollar losses
and type of administrative action taken

To determine the relationship between monetary losses due to fraud and administrative action taken against Federal employees, we examined those cases where administrative action only was taken or no administrative action was taken although the participant was identified. We excluded cases where both legal and administrative action were taken to eliminate potential bias in the results caused by higher loss cases, which are usually prosecuted, and cases where the administrative action was taken as a result of the legal action. Monetary losses are categorized in ranges from \$100 or less to over \$1 million. Table 54 shows the types of administrative action taken against Federal employees for the total cases in each monetary loss category.

As the table shows, a formal loss recovery plan was the most common type of action taken in cases with monetary losses of \$100 or less, \$101 to \$1,000, and \$10,001 to \$100,000. Multiple administrative actions were most common in cases with monetary losses ranging from \$1,001 to \$10,000. When no action was taken in cases over \$100,000, a lack of adequate evidence and documentation was the major reason.

Table 55 shows the range of monetary losses for the total cases in each category of administrative action taken.

Administrative action taken
and average monetary loss

We calculated the average monetary loss for each type of administrative action taken against the Federal employee to determine whether any relationship existed between the size of the loss and the severity of the administrative action. While there was no clear-cut trend, we were surprised to find that the average monetary loss in cases where no administrative action was taken was higher than the loss in cases where administrative action was taken. In addition, the average monetary loss for the severe action of a dismissal (\$2,251) was less than the average monetary loss for the less severe action of an oral warning (\$2,806). The average monetary loss for the categories of administrative action taken and the category of no administrative action taken are shown in table 56.

Table 54
Administrative Actions Taken Against Federal Employees
By Range of Monetary Losses (note a)

<u>Administrative action taken</u>	<u>Range of Monetary Losses</u>										<u>Total</u>	
	<u>\$100 or less</u>		<u>\$101 to \$1,000</u>		<u>\$1,001 to \$10,000</u>		<u>\$10,001 to \$100,000</u>		<u>Over \$100,000</u>		<u>Number</u>	<u>Percent</u>
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>		
No administrative action taken	465	23.2	1,310	23.4	411	26.6	38	26.3	15	100.0	2,239	24.1
Dismissed	199	9.9	186	3.3	6	0.4	3	2.1	0	-	394	4.2
Resigned pending dismissal	21	1.0	58	1.0	3	0.2	0	-	0	-	82	0.9
Suspended	8	0.4	76	1.4	13	0.9	0	-	0	-	97	1.1
Issued warning letter	90	4.5	162	2.9	8	0.5	0	-	0	-	260	2.8
Issued letter of counseling	2	0.2	55	1.0	20	1.3	1	0.7	0	-	78	0.8
Issued oral warning	8	0.4	74	1.3	23	1.5	0	-	0	-	105	1.1
Demoted	0	-	32	0.6	0	-	0	-	0	-	32	0.3
Formal loss recovery plan	452	22.5	1,914	34.2	319	20.7	101	70.2	0	-	2,786	29.9
Other action	0	-	17	0.3	0	-	0	-	0	-	17	0.2
Two or more types of substantive administrative action taken	444	22.1	1,184	21.1	656	42.5	1	0.7	0	-	2,285	24.6
Unknown	<u>317</u>	<u>15.8</u>	<u>531</u>	<u>9.5</u>	<u>86</u>	<u>5.6</u>	<u>0</u>	<u>-</u>	<u>0</u>	<u>-</u>	<u>934</u>	<u>10.0</u>
Total	<u>2,006</u>	<u>100.0</u>	<u>5,599</u>	<u>100.0</u>	<u>1,545</u>	<u>100.0</u>	<u>144</u>	<u>100.0</u>	<u>15</u>	<u>100.0</u>	<u>9,309</u>	<u>100.0</u>

a/ This table applies to cases where no administrative action was taken or administrative action only was taken. Case percentages are based on column totals.

Table 55
Administrative Actions Taken Against
 Federal Employees by Range of Monetary Losses

<u>Administrative action taken</u>	<u>Range of Monetary Losses</u>											
	<u>\$100 or less</u>		<u>\$101 to \$1,000</u>		<u>\$1,001 to \$10,000</u>		<u>\$10,001 to \$100,000</u>		<u>Over \$100,000</u>		<u>Total</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
No administrative action taken	465	20.8	1,310	58.5	411	18.4	38	1.7	15	0.7	2,239	100.0
Dismissed	199	50.5	186	47.2	6	1.5	3	0.8	0	-	394	100.0
Resigned pending dismissal	21	25.6	58	70.7	3	3.7	0	-	0	-	82	100.0
Suspended	8	8.2	76	78.4	13	13.4	0	-	0	-	97	100.0
Issued warning letter	90	34.6	162	62.3	8	3.1	0	-	0	-	260	100.0
Issued letter of counseling	2	2.6	55	70.5	20	25.6	1	1.3	0	-	78	100.0
Issued oral warning	8	7.6	74	70.5	23	21.9	0	-	0	-	105	100.0
Demoted	0	-	32	100.0	0	-	0	-	0	-	32	100.0
Formal loss recovery plan	452	16.2	1,914	68.7	319	11.5	101	3.6	0	-	2,786	100.0
Other	0	-	17	100.0	0	-	0	-	0	-	17	100.0
Two or more types of substantive administrative action taken	444	19.4	1,184	51.8	656	28.7	1	(b)	0	-	2,285	100.0
Unknown	317	33.9	531	56.9	86	9.2	0	-	0	-	934	100.0
Total	<u>2,006</u>	21.6	<u>5,599</u>	60.1	<u>1,545</u>	16.6	<u>144</u>	1.5	<u>15</u>	0.2	<u>9,309</u>	100.0

a/ This table applies to cases where no administrative action was taken or substantive administrative action only was taken. Case percentages are based on row totals.

b/ Less than 0.1 percent.

Table 56

Average Monetary Loss By Type of
Administrative Action Taken Against
Federal Employee (note a)

<u>Type of administrative action</u>	<u>Average monetary loss</u>	<u>Number of times the administrative action was taken</u>
Dismissed	\$ 2,251	2,409
Resigned pending dismissal	b/26,912	459
Suspended	1,904	1,215
Issued warning letter	1,343	669
Issued letter of counsel	1,688	211
Issued oral warning	2,806	650
Demoted	2,035	1,147
Transferred	1,301	529
Formal loss recovery plan	1,289	5,459
Extra duty (military)	2,032	595
Other	1,931	956
No administrative action	5,497	3,089
Unknown	1,587	1,613

a/Estimates obtained by using the averages or means of cases involving known specific dollar losses for predetermined loss ranges and assigning these averages to cases with estimated loss ranges. (See app. VI for a complete discussion of this estimation method.) Also included in this estimation method are cases where both legal action and administrative action were taken.

b/This figure is relatively high because the category contains a U.S. Postal Service case with a high statistical weighting in which a monetary loss of \$111,694 was sustained. If we eliminated this single case from our computations, the average monetary loss would be \$3,152.

ADMINISTRATIVE ACTIONS TAKEN AGAINST
NON-FEDERAL ORGANIZATIONS OR INDIVIDUALS

Federal agencies can take numerous types of administrative actions against non-Federal organizations and individuals involved in defrauding the Government. The most common administrative action taken in the cases we reviewed was the establishment of a formal loss recovery plan. Table 57 shows the number of times the various types of administrative actions were taken in the 28,675 cases involving organizations and individuals. Also included in table 57 are cases in which no administrative action was taken although the participants were identified.

Table 57
Administrative Actions Taken Against
Non-Federal Organizations and Individuals

<u>Administrative action taken</u>	<u>Number of cases</u>	<u>Percentage of total cases</u>	<u>Only one action taken (18,103 cases)</u>		<u>Two or more actions taken (2,385 cases)</u>		<u>Total administrative actions taken</u>	
			<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Suspended from doing business with Federal Government	2,161	7.5	2,161	11.9	30	0.6	2,191	9.5
Debarred from doing business with Federal Government	45	0.2	45	0.2	13	0.3	58	0.3
Contract/grant canceled	90	0.3	90	0.5	61	1.3	151	0.7
Issued warning; corrective action agreed to	2,583	9.0	2,583	14.5	527	10.8	3,110	13.5
Formal Loss recovery plan	5,518	19.2	5,518	30.5	1,846	37.8	7,364	32.0
Negotiating reimbursement	1,387	4.8	1,387	7.7	440	9.0	1,827	8.0
Declared ineligible for program participation under status claimed	1,347	4.7	1,347	7.4	1,497	30.7	2,844	12.5
Employee/enlistee denied; application/enlistment denied	309	1.1	309	1.7	-	-	309	1.3
Other action	688	2.4	688	3.8	459	9.4	1,147	5.0
Unknown	<u>3,975</u>	<u>13.9</u>	<u>3,975</u>	<u>22.0</u>	<u>5</u>	<u>0.1</u>	<u>3,980</u>	<u>17.3</u>
Cases in which one action taken	18,103	63.1						
Cases in which two or more actions taken	<u>2,385</u>	<u>8.3</u>						
Total	20,488	71.4	<u>18,103</u>	<u>100.0</u>	<u>4,878</u>	<u>100.0</u>	<u>22,981</u>	<u>100.0</u>
No administrative action taken	<u>8,187</u>	<u>28.6</u>						
Total	<u>28,674</u>	<u>100.0</u>						

Examples of cases in which two or more types of administrative action were taken against non-Federal Government organizations or individuals are as follows.

- Three types of administrative actions were taken against a corporate contractor. The contract with the company was canceled, the company was debarred from doing business with the Government, and the company agreed to pay back the defrauded money through a formal loss recovery plan.
- Multiple administrative actions were taken in a case involving a State and local government employee and another individual in connection with administering a Federal grant. Fraud occurred when the mayor of a town placed his daughter in a job for which she was not eligible. Her employment and salary were paid mostly by CETA (Comprehensive Educational and Training Act) funds. When this violation was detected, the grant for the municipality was canceled and the individual (the daughter) agreed to a formal loss recovery plan to repay the money for which she was ineligible.

The most common combination of multiple administrative actions taken against non-Federal government organizations or individuals was having the participant agree to a formal loss recovery plan and declaring the participant ineligible for program participation under the status claimed. This occurred in 991 (41.6 percent) of the 2,385 total cases in which two or more types of administrative actions were taken. The next most prevalent combinations of multiple administrative actions taken were: (1) issuance of a warning and establishment of a formal loss recovery plan (401 cases or 16.8 percent), and (2) establishment of a formal loss recovery plan and various other types of administrative action (289 cases or 12.1 percent). Information on the various combinations of administrative action taken against non-Federal organizations and individuals is presented in appendix VIII.

Administrative action taken by type of fraud

We compared the administrative actions taken against non-Federal organizations and individuals by type of fraud to determine whether a relationship existed between the type of fraud committed and the type of action taken. The results of this comparison are shown in table 58. This table shows the relative or proportionate use of the various types of administrative action for each of the nine major types of fraud.

We found no discernible pattern to show the most common type of action taken among the various major types of fraud. No administrative action was taken in 28.5 percent of the cases. Overall, the most frequent categories were (1) cases in which a formal loss recovery plan was established (19.2 percent) and (2) cases in which the type of action taken was unknown (13.9 percent).

The most common administrative action taken varied considerably from one major type of fraud to another. In false statements, which had the largest number of cases, the most common action was the establishment of a formal loss recovery plan (26.7 percent). For miscellaneous fraud, which had the second largest number of cases, the two most common types of administrative action taken were (1) suspension from doing business with the Federal Government (27.2 percent) and (2) issuance of a warning with fraud participants agreeing to take corrective action (27.2 percent).

Administrative action taken by role of individual

We next compared the types of administrative action taken against individuals by the role of these individuals. The comparison included only those cases where one individual was involved in the fraud and one or more administrative actions were taken. This involved 10,837 cases in which 13,613 administrative actions were taken. The results of this comparison are shown in table 59.

As the table shows, the most common type of administrative action varied with the role of the individual involved. However, the two most common types of administrative action taken for all cases were the establishment of a formal loss recovery plan (48.9 percent) and the declaration of ineligibility for program participation under the status claimed (21.2 percent).

Relationship between dollar losses and type of administrative action

To determine the relationship between monetary losses due to fraud and administrative action taken against non-Federal organizations and individuals, we examined only those cases in which administrative action was taken or no administrative action was taken although the participant was identified. We excluded cases where both legal and administrative actions were taken to eliminate potential bias in the results caused by higher loss cases, which are usually prosecuted, and cases in which the administrative action resulted from legal action. Monetary losses are categorized in ranges from \$100 or less to over \$1 million. Tables 60 and 61 compare administrative action taken against non-Federal organizations and individuals with the ranges of monetary losses. The percentages in table 60 are obtained by dividing cases involving each type of administrative action by all cases involving administrative action for each monetary loss category.

Table 61 also compares the type of administrative action taken against non-Federal organizations and individuals with the monetary loss. The percentages in table 61 are obtained by dividing the cases for each category of monetary loss by all cases involving monetary loss for each type of administrative action.

TABLE 58

ADMINISTRATIVE ACTIONS TAKEN AGAINST
NONFEDERAL ORGANIZATIONS AND INDIVIDUALS BY TYPE OF FRAUD

TYPE OF ACTION	MAJOR TYPE OF FRAUD									TOTAL PER CATEGORY
	THEFT	FALSE STATEMENTS	OTHER TYPES OF FRAUD	FORGERY	WORK HOUR ABUSE	KICKBACK OR BRIBE	PRIVATE USE OF GOVERNMENT PROPERTY	EXTORTION	CONTRACT TERMS WERE NOT PERFORMED	
SUSPENDED FROM BUSINESS WITH GOVERNMENT										
NUMBER	-	93	2065	-	-	3	-	-	-	2161
PERCENT	-	.6	27.2	-	-	.5	-	-	-	7.5
DEBARRED FROM BUSINESS WITH GOVERNMENT										
NUMBER	11	29	-	-	-	3	-	-	3	45
PERCENT	.3	.2	-	-	-	.5	-	-	.7	.2
CANCELED CONTRACT OR GRANT										
NUMBER	48	9	7	-	6	2	-	-	18	90
PERCENT	1.5	.1	.1	-	6.2	.4	-	-	4.7	.3
WARNED AND CORRECTIVE ACTION AGREED TO										
NUMBER	62	280	2064	23	5	-	4	29	118	2583
PERCENT	1.9	1.8	27.2	3.0	5.2	-	1.6	9.4	30.7	9.0
FORMAL LOSS RECOVERY PLAN										
NUMBER	624	4124	611	68	5	3	6	29	48	5518
PERCENT	19.0	26.7	8.1	9.1	5.6	.5	2.4	9.4	12.5	19.2
NEGOTIATING REIMBURSEMENT										
NUMBER	79	1256	51	-	-	-	-	1	-	1387
PERCENT	2.4	8.1	.7	-	-	-	-	.3	-	4.8
DECLARED INELIGIBLE FOR PROGRAM										
NUMBER	-	1333	-	15	-	-	-	-	-	1347
PERCENT	-	8.6	-	2.0	-	-	-	-	-	4.7
DISMISSED OR DENIED EMPLOYMENT (NOTE A)										
NUMBER	-	309	-	-	-	-	-	-	-	309
PERCENT	-	2.0	-	-	-	-	-	-	-	1.1
OTHER										
NUMBER	105	370	114	43	-	52	1	-	4	688
PERCENT	3.2	2.4	1.5	5.7	-	9.2	.4	-	1.0	2.4
UNKNOWN										
NUMBER	654	1875	1163	186	6	31	29	16	14	3975
PERCENT	19.9	12.1	15.3	24.9	6.0	5.6	12.2	5.4	3.7	13.9
TWO OR MORE ACTIONS										
NUMBER	400	1445	428	74	3	14	-	5	17	2386
PERCENT	12.2	9.3	5.6	9.8	3.5	2.5	-	1.8	4.4	8.3
NONE										
NUMBER	1305	4342	1087	340	71	457	196	227	162	8188
PERCENT	39.7	28.1	14.3	45.5	73.6	80.9	83.4	73.8	42.3	28.6
TOTAL										
NUMBER	3289	15463	7590	749	97	565	235	307	383	28678
PERCENT	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

A/INCLUDES DENIAL OF ENLISTMENTS.

Table 59
Administrative Actions Taken Against Individuals By Role of Individual Involved

Administrative action taken	Role of individual involved											Total Cases	
	Welfare recipient	Federal employee dependents	Job applicant	Pension recipient	Death benefit and grantee recipient	Taxpayer	Designated representative of assistance recipient	Postal Patron recipient	Housing recipient	Education recipient	Disability medical care recipient		Other Unknown
	(Percent)												
Suspended from doing business with Federal Government	-	-	-	-	-	-	-	-	2.2	-	-	-	(a)
Debarred from doing business with Federal Government	-	-	-	-	-	-	-	-	-	-	13.7	-	0.3
Contract/grant canceled	-	-	-	-	-	-	-	0.6	-	-	-	-	0.4
Issued warning; corrective action agreed to	0.5	55.8	-	-	11.7	-	-	33.2	14.8	-	-	26.9	20.1
Formal Loss recovery plan	52.5	-	-	62.0	17.7	23.0	45.0	57.8	70.6	87.2	18.0	38.2	47.0
Negotiating reimbursement	16.2	-	-	5.5	23.6	23.0	8.0	2.1	7.3	3.0	44.7	0.4	-
Declared ineligible for program participation under status claimed	29.2	-	-	27.0	47.0	-	18.2	-	-	2.4	37.3	2.4	1.8
Employee/enlistee denied; employment/enlistment denied	-	-	64.6	-	-	-	-	-	-	-	-	-	-
Other action	-	-	20.0	-	-	-	-	-	-	-	-	-	-
Unknown	1.6	44.2	15.4	5.5	-	54.0	28.8	6.3	7.3	5.2	-	18.4	30.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

a/Less than 0.1 percent.

Table 60

**Administrative Actions Taken Against Non-Federal
Organizations and Individuals and Range of Monetary Losses (note a)**

Administrative action taken	Range of Monetary Losses												Total	
	<u>\$100 or less</u>		<u>\$101 to \$1,001</u>		<u>\$1,001 to \$10,000</u>		<u>\$10,001 to \$100,000</u>		<u>\$100,001 to \$500,000</u>		<u>Over \$500,000</u>		Number	Percent
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent		
Suspended from doing business with Federal Government	-	-	-	-	3	0.1	-	-	-	-	-	-	3	(b)
Debarred from doing business with Federal Government	-	-	-	-	5	0.1	-	-	-	-	-	-	5	(b)
Contract/grant cancelled	-	-	8	0.1	-	-	12	1.3	3	4.1	-	-	23	0.2
Issued warning and agreed to corrective action	258	21.2	92	1.7	-	-	3	0.3	3	4.1	-	-	356	2.5
Formal loss recovery plan	331	27.3	2,219	40.1	2,395	37.4	203	22.0	5	6.4	3	14.3	5,156	36.4
No action taken	363	29.9	1,067	19.3	878	13.7	122	13.2	29	38.4	12	57.1	2,471	17.4
Negotiating reimbursement	-	-	382	6.9	809	12.6	89	9.6	-	-	-	-	1,280	9.0
Declared ineligible for program participation under status claimed	-	-	153	2.8	550	8.6	-	-	-	-	-	-	703	5.0
Other action	-	-	67	1.2	205	3.2	-	-	1	1.4	-	-	273	1.9
Two or more types of administrative action taken	129	10.6	1,024	18.5	822	12.8	79	8.6	4	5.8	-	-	2,058	14.5
Unknown	<u>134</u>	<u>11.0</u>	<u>520</u>	<u>9.4</u>	<u>737</u>	<u>11.5</u>	<u>415</u>	<u>45.0</u>	<u>30</u>	<u>39.8</u>	<u>6</u>	<u>28.6</u>	<u>1,842</u>	<u>13.0</u>
Total	<u>1,215</u>	<u>100.0</u>	<u>5,532</u>	<u>100.0</u>	<u>6,404</u>	<u>100.0</u>	<u>923</u>	<u>100.0</u>	<u>75</u>	<u>100.0</u>	<u>21</u>	<u>100.0</u>	<u>14,170</u>	<u>100.0</u>

a/ This table applies to cases where no administrative action was taken or substantive administrative action only was taken.

b/ Less than 0.1 percent.

Table 61

Administrative Actions Taken Against Non-Federal
Organizations and Individuals and Range of Monetary Losses (note a)

<u>Administrative action taken</u>	<u>Range of Monetary Losses</u>												<u>Total</u>	
	<u>\$100 or less</u>		<u>\$101 to \$1,001</u>		<u>\$1,001 to \$10,000</u>		<u>\$10,001 to \$100,000</u>		<u>\$100,001 to \$500,000</u>		<u>Over \$500,000</u>		<u>Number</u>	<u>Percent</u>
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>		
Suspended from doing business with Federal Government	0	-	0	-	3	100.0	0	-	0	-	0	-	3	100.0
Debarred from doing business with Federal Government	0	-	0	-	5	100.0	0	-	0	-	0	-	5	100.0
Contract/grant cancelled	0	-	8	34.8	0	-	12	52.2	3	13.0	0	-	23	100.0
Issued warning and agreed to corrective action	258	72.5	92	25.8	0	-	3	0.8	3	0.8	0	-	356	100.0
Formal loss recovery plan	331	6.4	2,219	43.0	2,395	46.5	203	3.9	5	0.1	3	0.1	5,156	100.0
No action taken	363	14.7	1,067	43.2	878	35.5	122	4.9	29	1.2	12	0.5	2,471	100.0
Negotiating reimbursement	0	-	382	29.8	809	63.2	89	7.0	0	-	0	-	1,280	100.0
Declared Ineligible for program participation under status claimed	0	-	153	21.8	550	78.2	0	-	0	-	0	-	703	100.0
Other action	0	-	67	24.5	205	75.1	0	-	1	0.4	0	-	273	100.0
Two or more types of administrative action taken	129	6.3	1,024	49.8	822	39.9	79	3.8	4	0.2	0	-	2,058	100.0
Unknown	<u>134</u>	7.3	<u>520</u>	28.2	<u>787</u>	40.0	<u>415</u>	22.5	<u>30</u>	1.6	<u>6</u>	0.3	<u>1,842</u>	100.0
Total	<u>1,215</u>	8.6	<u>5,532</u>	39.0	<u>6,404</u>	45.2	<u>923</u>	6.5	<u>75</u>	0.5	<u>21</u>	0.1	<u>14,170</u>	100.0

a/ This table applies to cases where no administrative action was taken or substantive administrative action only was taken.

As shown in table 60, the two most common categories for cases where monetary losses were less than or equal to \$10,000 were either (1) no administrative action taken or (2) participant agreed to a formal loss recovery plan. For monetary losses ranging from \$10,001 to \$500,000, the action taken in most of the cases was unknown. In most instances, for monetary losses over \$500,000 no administrative action was taken or the type of action taken was unknown.

Administrative action taken
and average monetary loss

We next calculated the average monetary loss for each type of administrative action taken against non-Federal organizations and individuals. The average monetary losses are given in table 62.

Table 62

Average Monetary Loss
By Type of Administrative Action Taken
Against Non-Federal Organizations
and Individuals

<u>Type of administrative action</u>	<u>Average monetary loss (note a)</u>	<u>Number of times the administrative action was taken</u>
No administrative action taken	\$ 8,784	4,076
Suspended from doing business with the Federal Government	23,157	34
Debarred from doing business with the Federal Government	1,966	21
Contract/grant canceled	18,512	100
Issued warning and corrective action agreed to	1,804	1,018
Formal loss recovery plan agreed to by participant	2,829	7,352
Negotiating reimbursement	2,951	1,799
Declared ineligible for program participation under status claimed	2,944	2,229
Other action	1,722	759
Unknown	13,617	2,648

a/Estimates obtained by using the averages or means of cases involving known specific dollar losses and assigning these averages to cases with estimated loss ranges. (See app. VI for a complete discussion of this estimation method.) Cases in which both legal and administrative actions were taken are included.

As shown in table 62, the two largest average monetary losses resulted in two of the three most severe types of administrative

action being taken. The action of suspending the participant from doing business with the Government was taken when the average loss was largest--\$23,157. In the cases involving the second largest average monetary loss--\$18,512--agencies canceled contracts or grants.

Planned recoveries from Federal employees and non-Federal organizations and individuals based on administrative action

Table 63 shows the planned recoveries for Federal employees and non-Federal organizations and individuals based on administrative actions taken by the Federal agencies.

Table 63

Planned Recoveries from Federal Employees and Non-Federal Organizations and Individuals

	No. of cases	Amount to be collected			
		Minimum	Maximum	Average	Total
Federal employees	5,162	\$2	\$ 13,734	\$1,054	\$ 5,439,003
Non-Federal organizations and individuals	6,918	\$1	\$572,000	\$2,549	\$17,635,663

LEGAL ACTION

Legal action alone or in conjunction with administrative action is another method used by the Federal Government against perpetrators of fraud. For the purposes of this chapter, legal action includes cases prosecuted as civil cases, criminal cases, pretrial diversion cases, and court-martial cases.

Types of legal action

Civil cases and criminal cases are prosecuted by either the Department of Justice or the U.S. Attorneys. For criminal cases, punishment can include both fines and imprisonment. Prosecution in criminal cases can be carried out whether or not the case involved monetary loss. In contrast to this, prosecution in civil cases is undertaken only if a monetary loss was sustained. Remedies in civil cases can include forced restitution and recovery of monetary losses and also punitive damages through forfeitures. In civil cases, a person cannot be sent to prison as in a criminal case.

Pretrial diversion cases are cases in which the U.S. Attorney or Department of Justice has made a formal written agreement with the suspected perpetrator of the fraud. The agreement states that in return for legal action not being initiated or continued against the individual, he or she will cease and desist from undertaking any present and future fraudulent activity. In addition, the person voluntarily agrees to be placed in a program of supervision, usually by the Federal Probation Service, for a specified period. Successful participants have the charges against them dismissed. We did not obtain information on the number of individuals who successfully completed pretrial diversion.

Court-martial cases are cases where legal action is taken by the military services against members of the armed forces. Possible punitive actions in court-martials include fines, recoveries, and imprisonment. Court-martial cases differ from criminal and civil cases in that they are prosecuted under the Uniform Code of Military Justice through the military justice system.

Use of legal action compared to use of administrative action

The participant or participants were identified in 50,200 cases out of the 72,797 total closed cases. Legal action was taken in 5,877 (11.7 percent) of these cases while substantive administrative action was taken in 34,640 (69.0 percent) of these cases. Stated differently, administrative action was taken six times more often than legal action. In 3,898 cases (7.8 percent of known fraud participant cases), both administrative and legal actions were taken.

In general, the types and frequency of use of administrative actions exceed those for legal actions. This may be due, in part, to the fact that legal action is costly and Federal prosecutors have limited resources to prosecute perpetrators of fraud.

Cases accepted and declined for prosecution by U.S. Attorneys and the Department of Justice

Table 64 shows that the U.S. Attorneys or the Department of Justice accepted about 39.2 percent of the cases referred to them for prosecution. Court-martial cases were excluded from our analysis since they are prosecuted under the military system. Pretrial diversion cases were included because they were initially referred to the Department of Justice and U.S. Attorneys for prosecution; however, a trial was avoided because the suspects agreed to a voluntary period of probation.

Table 64

Cases Accepted or Declined for Prosecution
by U.S. Attorneys and Department of Justice

<u>Status of cases referred</u>	<u>Number of cases</u>	<u>Percent</u>
Accepted for prosecution (note a)	5,052	39.2
Declined for prosecution	<u>7,843</u>	<u>60.8</u>
Total	<u>12,895</u>	<u>100.0</u>

a/Includes 682 pretrial diversion cases.

We next analyzed the closed cases to determine what percentage of the cases in which the participant was known or identified were referred to the Department of Justice or U.S. Attorneys for prosecution. Excluding cases involving members of the armed forces, there were 38,882 cases where the participant or participants in the fraud were identified. We found that about a third of these were referred to the Department of Justice or U.S. Attorneys for prosecution. However, only 13 percent of them were accepted for prosecution. This is illustrated in table 65.

Table 65

Prosecution Status of Closed Cases in Which
the Participant is Identified (note a)

<u>Prosecution Status</u>	<u>Number of Cases</u>	<u>Percent</u>
Accepted for prosecution (note b)	5,052	13.0
Declined for prosecution	7,843	20.2
Not referred for prosecution	<u>25,987</u>	<u>66.8</u>
Total	<u>38,882</u>	<u>100.0</u>

a/Excludes cases involving members of the armed forces.

b/Includes pretrial diversion cases.

Analysis of the types of legal action

Of the 5,877 cases in which legal action was taken, legal action only was taken in 1,979 cases and both administrative and legal action were taken in 3,898. The legal action taken in these 5,877 cases is shown in table 66.

Table 66

Type of Legal Action

<u>Legal action</u>	<u>Number of cases</u>	<u>Percent</u>
Civil case	28	0.5
Criminal case	4,342	73.9
Pretrial diversion	682	11.6
Court martial cases	825	14.0
Total	5,877	100.0

As shown in table 66, most cases are prosecuted as criminal cases (73.9 percent). Very few cases are prosecuted as civil cases (0.5 percent). Individuals were put under pretrial diversion in 11.6 percent of the cases. In 14.0 percent of the cases individuals were court-martialed.

Outcome of legal prosecutions

When the Departments of Justice or Defense decide to prosecute perpetrators of fraud, the resulting conviction rates are high. In the analysis that follows, pretrial diversion cases are excluded since the outcome is already determined and the process of a trial is avoided. The outcome of the remaining 5,195 cases prosecuted is shown in table 67.

Table 67

Outcome of Legal
Prosecutions

<u>Outcome of legal prosecution</u>	<u>Civil case</u>		<u>Criminal case</u>		<u>Court-martial</u>		<u>Total cases</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Acquittal (note a)	-	-	114	2.6	182	22.1	296	5.7
Conviction	25	a/89.3	4,120	94.9	643	77.9	4,788	92.2
Unknown	3	10.7	108	2.5	-	-	111	2.1
Total	28	100.0	4,342	100.0	825	100.0	5,195	100.0

a/Judgment for the plaintiff (the Federal Government).

Success rates for cases prosecuted by the U.S. Attorneys and the Department of Justice average 95.0 percent. It appears the reason for this high rate is that U. S. Attorneys and Justice are very selective in the cases they prosecute.

TABLE 68

TYPE OF PROSECUTION BY TYPE OF FRAUD

TYPE OF PROSECUTION	MAJOR TYPE OF FRAUD									TOTAL PER CATEGORY
	THEFT	FALSE STATEMENTS	OTHER TYPES OF FRAUD	FORGERY	WORK HOUR ABUSE	KICKBACK OR BRIBE	PRIVATE USE OF GOVERNMENT PROPERTY	EXTORTION	CONTRACT TERMS WERE NOT PERFORMED	
CIVIL										
NUMBER	3	15	10	-	-	-	-	-	-	28
PERCENT	.1	1.0	2.4	-	-	-	-	-	-	.5
CRIMINAL										
NUMBER	2439	1186	364	118	47	137	9	-	42	4342
PERCENT	69.5	75.5	91.8	74.3	97.9	98.0	90.8	-	100.0	73.9
PRE-TRIAL DIVERSION										
NUMBER	409	232	10	28	1	3	1	-	-	682
PERCENT	11.6	14.8	2.4	17.4	2.1	2.0	9.8	-	-	11.6
COURT MARTIAL										
NUMBER	660	139	13	13	-	-	-	-	-	825
PERCENT	18.8	8.8	3.3	8.3	-	-	-	-	-	14.0
TOTAL										
NUMBER	3510	1571	397	159	48	140	10	-	42	5877
PERCENT	100.0	100.0	100.0	100.0	100.0	100.0	100.0	-	100.0	100.0

Legal actions by type of fraud

We compared the legal action cases against the type of fraud committed. This comparison is shown in table 68.

Relationship between dollar losses and type of legal action taken

We examined those cases in which legal action only was taken and for which the specific dollar loss or range of dollar loss was available to determine the relationship between monetary losses due to fraud and legal action taken. Our analysis was limited to cases in which legal action only was taken in order to eliminate any effect that might occur when both legal and administrative actions were taken. Table 69 shows the relationship between the various types of legal action taken in a case and the amount of monetary loss involved.

Table 69

Type of Legal Action and Range of Monetary Loss (note a)

<u>Range of monetary loss</u>	<u>Criminal</u>		<u>Civil</u>		<u>Pretrial diversion</u>		<u>Total</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
\$100 or less	38	3.1	0	-	0	-	38	2.9
\$101 to \$1,000	164	13.3	0	-	13	21.0	177	13.6
\$1,001 to \$10,000	729	59.3	0	-	49	79.0	778	59.0
\$10,001 to \$100,000	287	23.4	3	42.9	0	-	290	22.3
\$100,001 to \$500,000	10	0.8	4	57.1	0	-	14	1.1
\$500,001 to \$1 million	1	(b)	0	-	0	-	1	(b)
Total	1,229	100.0	7	100.0	62	100.0	1,298	100.0

a/This table applies to cases where only legal action was taken and an estimate of the loss was available. No case involving court-martial fell into this category.

b/Less than 0.1 percent.

Type of legal action taken and average monetary loss

The average monetary loss for each of the various types of legal action are shown in the following table.

Table 70

Type of Legal Action and Average Monetary Loss

<u>Legal action</u>	<u>Average monetary loss (note a)</u>	<u>Number of times the legal action was taken</u>
Civil case	\$36,368	28
Criminal case	7,225	2,980
Pretrial diversion	3,392	489
Court martial	1,783	449

a/Obtained by using the averages or means of cases involving known specific dollar losses and assigning these averages to cases with estimated loss ranges. (See app. VI for a complete discussion of this estimation method.) Cases in which both administrative and legal action were taken are also included.

Fines, recoveries, and restitutions resulting from successful legal actions

As a result of successful civil and/or criminal actions against perpetrators of fraud, the defendants may be required to pay dollar amounts (fines, recoveries, or restitutions) and may be sentenced to prison. A fine is a punitive dollar amount assessed by the court against the defendant. A recovery or restitution seeks to recover money defrauded from the Government. The latter terms have similar meanings; a distinction has been made in our report only because various Federal agencies have recorded these amounts differently in their files.

Table 71 shows the average amounts and ranges of fines, recoveries, and restitutions.

Table 71

Fines, Recoveries, and Restitutions Resulting from Successful Legal Actions

<u>Type of judgment</u>	<u>Number of cases</u>	<u>Amount to be Collected</u>			
		<u>Minimum</u>	<u>Maximum</u>	<u>Average</u>	<u>Total</u>
Fines	1,566	\$ 5	\$200,000	\$5,834	\$9,137,172
Recoveries	527	83	36,000	4,902	2,582,239
Restitutions	1,131	54	161,846	5,469	6,184,589

Collection of amounts assessed against fraud participants may still be a problem

The fact that a case is closed and a dollar amount assessed by the court is no guarantee of a complete recovery of the funds defrauded or stolen. It is often difficult to collect judgments against defendants. In addition, some recovery or repayment plans provide for only partial recovery of the loss over very long periods of time. For example, in one case an individual was given 65 years in which to repay the Federal Government approximately \$16,000 in embezzled funds.

Prison sentences for convicted participants

Criminal convictions may also result in prison sentences. Table 72 shows the range of sentences and average sentences given by the court. In 439 cases more than one individual was sentenced and we have categorized the sentencing data by first person sentenced in a case, second person, and so forth.

As shown in table 72, the primary or first person involved received an average actual sentence of 25.5 months. However, the actual amount of time served in prison by the first person was only 14.8 months. The average sentence for all persons committing fraud was 24.8 months. But suspension of the original sentence and probation greatly reduced the original sentences handed down by the court and the actual time defendants spent in prison. The time persons were actually sentenced to serve in prison averaged only 13.9 months. Although the average time to be served was over a year, 67.5 percent of those sentenced were sentenced to serve 6 months or less. About 91 percent of the individuals convicted in court-martial proceedings were sentenced to serve 6 months or less, compared to about 57 percent convicted in civilian courts.

Table 72

<u>Participant(s)</u> <u>convicted</u>	<u>Portion of sentence handed down,</u> <u>suspended, and served</u>	<u>Number of</u> <u>cases</u>	<u>Minimum</u> <u>sentence</u>	<u>Maximum</u> <u>sentence</u>	<u>Average</u> <u>sentence</u>
First Person	Actual sentence	3,626	1	180	25.5
	Sentence suspended	1,365	1	90	19.4
	Portion of sentence to be served on probation	3,043	2	120	28.2
	Portion to be served in prison	1,049	1	156	14.8
Second Person	Actual sentence	439	2	72	14.6
	Sentence suspended	126	2	24	14.0
	Portion of sentence to be served on probation	244	2	60	16.7
	Portion to be served in prison	202	2	72	7.5
Third Person	Actual sentence	84	12	96	30.0
	Sentence suspended	15	36	36	36.0
	Portion of sentence to be served on probation	27	24	60	40.5
	Portion to be served in prison	29	18	18	18.0
Fourth Person	Actual sentence	36	24	24	24.0
	Sentence suspended	28	24	24	24.0
	Portion of sentence to be served on probation	2	24	24	24.0
	Portion to be served in prison	6	24	24	24.0
Fifth Person	Actual sentence	8	24	48	41.3
	Sentence suspended	0	-	-	-
	Portion of sentence to be served on probation	2	24	24	24.0
	Portion to be served in prison	6	48	48	48.0

a/ Excludes cases where sentence was unknown.

SAMPLING AND DATA ANALYSIS METHODOLOGY

This appendix describes how we selected the fraud cases in our sample, how we maintained quality control over the data collected, and how we projected the sample data.

Sampling methodology

Statistical sampling enables us to draw conclusions about the universe of interest on the basis of information in a sample of that universe. The results from a statistical sample are always subject to some uncertainty or sampling error because only a portion of the universe has been selected for analysis. The sampling error consists of two parts: confidence level and range. The confidence level indicates the degree of confidence that can be placed in the estimates derived from the sample. The range is the upper and lower limit between which the actual universe value will be found.

For example, a random sample of fraud cases showed that 45 percent were theft cases. Using the sampling error formula, we were 95 percent confident that the true percentage of the fraud cases that were theft cases would be between 40 and 50 percent of the total cases (or within a range of ± 5 percent of 45 percent).

Sample selection and scope

At each of the 21 Federal agencies we obtained listings of cases of suspected fraud or other illegal activities opened from October 1, 1976, through March 31, 1979. These listings were the basis for all the sampling in our review.

Our universe of fraud cases included only those cases investigated by Federal agencies. We excluded cases where State or local jurisdictions had prime responsibility for investigation, such as most medicaid and Aid to Families with Dependent Children cases, as well as cases involving individual recipients of food stamps. The vast majority of medicare fraud cases were also excluded from our universe. The only medicare cases included were those that were investigated by the Inspector General of the former Department of Health, Education, and Welfare (now Health and Human Services).

Based on information provided by agency officials, we initially identified a total universe of about 134,000 cases of alleged fraud. We eliminated about 27,000 cases that did not fit our definition of fraud or were outside the time frame of our review. From the remaining 107,000 cases we selected a sample of about 5,000. We deleted cases in which agency investigations disclosed no fraud and cases in which investigations were still underway or actions on the cases were pending. The number of cases eliminated from the sample and universe to arrive at the adjusted sample and universe are shown on the next page.

<u>Selection process</u>	<u>Sample</u>	<u>Universe</u>
Total known and alleged fraud cases	4,859	107,365
Less cases investigated, with "no fraud" found	1,025	20,844
Less cases still under investiga- tion or with actions still pending	<u>607</u>	<u>9,314</u>
Total known fraud cases	<u>3,227</u>	<u>77,211</u>

Therefore, unless otherwise indicated, the analysis in our report is based on an adjusted projected universe of 77,211 fraud cases from a random sample of 3,227 fraud cases. The adjusted universe contains 72,797 closed cases and 4,414 open cases, which were projected from samples of 3,029 and 198 cases, respectively.

At many of the Federal departments or agencies included in our review, fraud case data were not kept in a central location. It was therefore necessary to visit several regional or field locations to identify the universe of all fraud cases. Where this was done we reviewed all fraud cases or took a sample of fraud cases at that location. The adjusted sample of 3,227 cases consists of 82 separate strata. See appendix II for the sample size, weight, and universe size of each of the 82 strata and appendix III for the sample and universe size by agency.

Quality control over data collected

Maintaining quality control over the data was an important consideration during and after the collection process.

Data collection instrument

We developed a data collection instrument for recording pertinent information on each of the cases in our sample. The instrument was developed during the initial phase of the assignment based on a review of fraud cases at various test agencies and discussions held with officials at these agencies. We tested the instrument on actual fraud cases. It was then modified and sent out to collect information on all the cases in our sample.

The data on the sample fraud cases were collected between June and December 1979 at the headquarters and numerous field offices of the 21 Federal agencies. After information was recorded on the data collection instruments, GAO supervisors at the regional offices reviewed them for accuracy and completeness.

After the data collection instruments were completed they were sent to Washington, D.C., where they were reviewed by the team director and his staff for completeness and consistency. We then keypunched the responses to create a computerized data base. We reviewed the data base for obvious errors and verified a 10-percent

random sample of the data elements back to the data collection instruments. This verification process indicated an error rate of 0.1 percent, substantially under our tolerance level of 1 percent. Special computer programs were written and used to check on the consistency of answers between related questions. All detected errors were corrected before the data were analyzed.

Projection of sample results

After computerizing the data base, we weighted it to project sample results to the universe. The following example illustrates our weighting methodology. At one Federal agency's regional office there were 140 fraud cases of which we selected 51. We calculated the weighting factor by dividing the stratum universe size by the stratum sample size ($140/51=2.75$). Therefore, any condition observed in one sampled fraud case in that one regional office could be projected to 2.75 fraud cases in that regional office. See appendix II for a listing of the number of fraud cases in each of the 82 strata and the weight of each strata.

For report purposes, we used the weighted mean as the best estimate because the projections are based on a statistical sample. The figures presented are subject to variation except where the weight used was 1, which occurs if all stratum universe cases are selected. See appendix IV for the statistical sampling errors for selected key variables.

SAMPLE SIZE, WEIGHT, AND UNIVERSE SIZE
FOR THE 82 STRATA

<u>Stratum</u>	<u>Sample</u>		<u>Weight</u>	<u>Universe</u>	
	<u>Number</u>	<u>Percent</u>		<u>Number</u>	<u>Percent</u>
CIVIL AGENCIES:					
Department of Commerce	47	1.5	3.9195	184	0.2
Community Services Administration	70	2.2	1.0000	70	0.1
Department of Energy					
Albuquerque	24	0.7	1.0000	24	(a)
Bettis Atomic Power Lab	2	0.1	1.0000	2	(a)
Bonneville Power Admin. Program Office	1	(a)	1.0000	1	(a)
Chicago	40	1.2	3.8500	154	0.2
Grand Junction	6	0.2	1.0000	6	(a)
Headquarters; Office of Inspector General	52	1.6	1.0000	52	0.1
Idaho	7	0.2	4.2857	30	(a)
Laramie	5	0.2	1.0000	5	(a)
Las Vegas; Inspector General	10	0.3	1.0000	10	(a)
Las Vegas; Program Office	24	0.7	1.0000	24	(a)
Morgantown	2	0.1	1.0000	2	(a)
Oak Ridge; Inspector General	2	0.1	1.0000	2	(a)
Oak Ridge; Program Office	32	1.0	1.9167	61	0.1
Richland; Inspector General	3	0.1	1.0000	3	(a)
Richland; Program Office	42	1.3	4.1628	175	0.2
San Francisco; Inspector General	2	0.1	1.0000	2	(a)
Savannah River	11	0.3	1.0000	11	(a)
Schenectady	4	0.1	1.0000	4	(a)
San Francisco; Program Office	17	0.5	3.0000	51	0.1
South West Power Administration	2	0.1	1.0000	2	(a)
Strategic Oil Petroleum Reserve	3	0.1	1.0000	3	(a)

<u>Stratum</u>	<u>Sample</u>		<u>Weight</u>	<u>Universe</u>	
	<u>Number</u>	<u>Percent</u>		<u>Number</u>	<u>Percent</u>
Department of Labor:					
Denver; Employment Training Admin.	9	0.3	1.0000	9	(a)
Boston; Employment Training Admin.	12	0.4	3.4286	41	0.1
Chicago; Employment Training Admin.	8	0.2	2.2143	18	(a)
Headquarters; Employment Training Admin.	6	0.2	2.1333	13	(a)
San Francisco; Employment Training Admin.	6	0.2	6.4390	39	0.1
Office of Inspector General	22	0.7	14.1111	310	0.4
Department of Transportation:					
Federal Aviation Administration	94	2.9	2.0634	194	0.3
Office of Inspector General	88	2.7	4.0248	354	0.5
Environmental Protection Agency	51	1.6	2.7416	140	0.2
General Services Administration:					
Bribery	8	0.2	2.0435	16	(a)
Embezzlement	3	0.1	1.0000	3	(a)
Forgery and Counterfeiting	5	0.2	1.0000	5	(a)
Fraud	34	1.1	4.0561	138	0.2
Labor Laws	15	0.5	1.0455	16	(a)
Larceny	102	3.2	4.9107	501	0.6
Major Crimes	62	1.9	1.0000	62	0.1
Theft	107	3.3	3.5981	385	0.5
Department of Health, Education, and Welfare					
	49	1.5	5.7081	279	0.4
Department of Housing and Urban Development					
	58	1.8	28.7062	1,665	2.2
Department of Interior					
	47	1.5	3.0357	143	0.2
Department of the Treasury:					
Internal Revenue Service	98	3.0	19.3408	1,895	2.5
U.S. Customs Service	96	3.0	1.0246	98	0.1

<u>Stratum</u>	<u>Sample</u>		<u>Weight</u>	<u>Universe</u>	
	<u>Number</u>	<u>Percent</u>		<u>Number</u>	<u>Percent</u>
Law Enforcement Assistance Administration	21	0.7	2.6780	56	0.1
Small Business Administration:					
Direct Referrals to U.S. Attorneys	2	0.1	1.0000	2	(a)
Personnel Investigation Referrals to Postal Service or Secret Service	17	0.5	2.6552	45	0.1
Referred to FBI	4	0.1	1.0000	4	(a)
	66	2.0	9.7071	641	0.8
Social Security Administration:					
Other Supplemental Security Income	64	2.0	46.6385	2,985	3.9
	138	4.3	73.6369	10,162	3.2
Department of Agriculture:					
Food & Nutrition Service	89	2.8	62.7674	5,586	7.2
Inspector General	108	3.3	27.6424	2,985	3.9
U.S. Postal Service					
Boston	82	2.5	14.3053	1,173	1.5
Cincinnati	65	2.0	54.7091	3,556	4.6
Detroit	63	2.0	12.6214	795	1.0
Fort Worth/Dallas	89	2.8	22.7238	2,022	2.6
Los Angeles	42	1.3	28.3077	1,189	1.5
New York	54	1.7	28.3578	1,531	2.0
San Francisco	47	1.5	19.0345	895	1.2
Veterans Administration:					
Cleveland	10	0.3	33.0000	330	0.4
Columbia	7	0.2	16.7500	117	0.2
Honolulu	7	0.2	5.3000	37	(a)
Headquarters, Inspector General	22	0.7	1.0000	22	(a)
Huntington	4	0.1	5.4000	22	(a)
Los Angeles, Loan Guarantee Task Force	7	0.2	112.5383	788	1.0
Louisville	5	0.2	5.4000	27	(a)
Newark	9	0.3	6.7778	61	0.1

<u>Stratum</u>	<u>Sample</u>		<u>Weight</u>	<u>Universe</u>	
	<u>Number</u>	<u>Percent</u>		<u>Number</u>	<u>Percent</u>
Veterans Administration (con.):					
Pittsburgh	3	0.1	11.1429	33	(a)
Providence	12	0.4	5.3333	64	0.1
Roanoke	20	0.6	5.3500	107	0.1
San Francisco	12	0.4	8.0000	96	0.1
St. Louis	17	0.5	6.7059	114	0.1
St. Petersburg	14	0.4	12.7222	178	0.2
DEFENSE AGENCIES:					
Department of the Army:					
Fraud	144	4.5	13.1988	1,901	2.5
Other	166	5.1	84.5789	14,040	18.2
Defense Logistics Agency					
Fraud	49	1.5	2.8105	138	0.2
Other	92	2.9	5.4479	501	0.6
Department of Defense					
Other	5	0.2	1.0000	5	(a)
Department of the Navy					
Fraud	114	3.5	27.5954	3,146	4.1
Other	169	5.2	86.7074	14,654	19.0
Total	<u>3,227</u>	<u>100.0</u>		<u>77,210</u>	<u>100.0</u>

a/Less than 0.1 percent.

SAMPLE AND UNIVERSE SIZEBY AGENCY

<u>Agency</u>	<u>Sample</u>		<u>Universe</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Civil Agencies:				
Social Security Administration	202	6.3	13,147	17.0
U.S. Postal Service	442	13.7	11,161	14.5
Agriculture	197	6.1	8,571	11.1
Veterans Administration	149	4.6	1,996	2.6
Treasury	194	6.0	1,994	2.6
Housing and Urban Development	58	1.8	1,665	2.2
General Services Administration	336	10.4	1,126	1.5
Small Business Administration	89	2.8	692	0.9
Energy	291	9.0	624	0.8
Transportation	182	5.6	548	0.7
Labor	63	2.0	430	0.6
Health, Education, and Welfare	49	1.5	279	0.4
Commerce	47	1.5	184	0.2
Interior	47	1.5	143	0.2
Environmental Protection Agency	51	1.6	140	0.2
Community Services Administration	70	2.2	70	0.1
Justice	<u>21</u>	<u>0.7</u>	<u>56</u>	<u>0.1</u>
Total for civil agencies	2,488	77.3	42,826	55.7
Defense Agencies:				
Army	303	9.4	15,634	20.2
Navy	197	6.1	12,411	16.1
Marine Corps	86	2.7	5,388	7.0
Defense Logistics Agency	141	4.4	639	0.8
Army Air Force Exchange Service	7	0.2	307	0.4
Department of Defense (other)	<u>5</u>	<u>0.2</u>	<u>5</u>	<u>(a)</u>
Total for defense agencies	<u>739</u>	<u>23.0</u>	<u>34,384</u>	<u>44.5</u>
Total	<u>3,227</u>	<u>100.0</u>	<u>77,211</u>	<u>100.0</u>

a/Less than 0.1 percent.

SAMPLING ERRORS ON FRAUD DATA

Our sampling plan was designed to provide a sample size that would yield an expected sampling error of not greater than 12 percent on a response upheld by 50 percent of the population (at the 95-percent confidence level). However, the actual sampling error on any particular response estimate depends on the percentage of fraud cases upholding that response, the percentage of cases in which data was not available for a particular response, and the distribution of the responses for each characteristic or variable.

To show the reader the size of the sampling errors, some individual sampling errors were calculated. We calculated the sampling errors for estimates that were subject to large sampling errors relative to the size of the estimate, and estimates that were crucial to our report findings. The upper and lower limits of these estimates were then calculated. These ranges are shown in the following tables.

Table 1Number of Fraud Cases in Universe

	<u>Projection to adjusted universe</u>	<u>Estimated ranges of adjusted universe at the 95-percent confidence level</u>
Number of cases in which fraud occurred	77,211	75,446 to 78,974
Number of cases in which a monetary loss was in- curred	48,819	47,063 to 50,575
Estimated total monetary losses	\$186,964,711	\$151,913,181 to \$222,016,241

Table 2Principal Types of Fraud

<u>Type of fraud</u>	<u>Projection to adjusted universe</u>		<u>Estimated ranges of adjusted universe at the 95-percent level of confidence</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Work hour abuses	1,179	1.5	854 to 1,504	1.1 to 1.9
Private use of Government property	773	1.0	499 to 1,047	0.6 to 1.4
Extortion	504	0.7	187 to 821	0.2 to 1.1
Forgery	1,863	2.4	1,350 to 2,376	1.7 to 3.1
Kickbacks/bribes	844	1.1	632 to 1,056	0.8 to 1.4
False statements	20,647	26.7	19,838 to 21,456	25.7 to 27.8
Nonperformance of contract terms	448	0.6	294 to 602	0.4 to 0.8
Theft	37,518	48.6	36,321 to 38,717	47.0 to 50.1
Miscellaneous fraud activities	<u>13,434</u>	<u>17.4</u>	12,371 to 14,497	16.0 to 18.8
Total	<u>77,211</u>	<u>100.0</u>		

Table 3

Functional Area in Which Fraud Occurred

<u>Functional area</u>	<u>Projection to adjusted universe</u>		<u>Estimated ranges of adjusted universe at the 95-percent level of confidence</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Procurement/award	302	0.4	190 to 414	0.2 to 0.5
Property disposition	580	0.8	280 to 880	0.4 to 1.1
Payroll	2,164	2.8	1,796 to 2,532	2.3 to 3.3
Grants	316	0.4	240 to 392	0.3 to 0.5
Financial assistance to individuals	21,266	27.5	20,869 to 21,663	27.0 to 28.1
Enforcement	1,209	1.6	916 to 1,500	1.2 to 1.9
Provision of health care or social services	254	0.3	165 to 343	0.2 to 0.4
Loans	840	1.1	626 to 1,054	0.8 to 1.4
Loan guarantees	2,399	3.1	2,154 to 2,644	2.8 to 3.4
Personnel	3,417	4.4	2,892 to 3,942	3.7 to 5.1
Inventory control	19,460	25.2	17,948 to 20,972	23.2 to 27.2
Mail service	7,823	10.1	7,341 to 8,305	9.5 to 10.8
Cash control	3,246	4.2	2,586 to 3,906	3.3 to 5.1
Procurement monitoring	653	0.8	391 to 915	0.5 to 1.2
Travel	1,170	1.5	873 to 1,467	1.1 to 1.9
Administrative services	333	0.4	183 to 483	0.2 to 0.6
Education and training	132	0.2	69 to 195	0.1 to 0.3
Personal property management	9,921	12.8	8,514 to 11,328	11.0 to 14.7
Other	1,581	2.0	1,027 to 2,135	1.3 to 2.8
Unknown	148	0.2	1 to 328	(a) to 0.4
Total	<u>77,211</u>	<u>100.0</u>		

a/Less than 0.1 percent.

Table 4

Participants in Fraudulent Acts

<u>Type of participant</u>	<u>Projection to adjusted universe</u>		<u>Estimated ranges of adjusted universe at the 95-percent level of confidence</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Federal Government employees only	19,820	25.7	18,267 to 21,373	23.7 to 27.7
Federal Government employees with others	2,828	3.7	2,174 to 3,482	2.8 to 4.5
State and local government employees	442	0.6	234 to 650	0.3 to 0.8
Federal contractor/grantee personnel	1,402	1.8	1,117 to 1,687	1.4 to 2.2
Corporate recipient of Federal assistance	587	0.8	491 to 683	0.6 to 0.9
Individual recipient of Federal assistance	13,858	17.9	13,133 to 14,583	17.0 to 18.9
Other individual citizens	6,080	7.9	5,152 to 7,008	6.7 to 9.1
Other corporate or business entities	7,554	9.8	7,115 to 7,993	9.2 to 10.4
State and local government employees with individual recipients	38	(a)	1 to 93	(a) to 0.1
Federal contractor/grantee personnel with individual recipients	69	0.1	1 to 147	(a) to 0.2
Corporate recipients with individual recipients	74	0.1	1 to 217	(a) to 0.3
Other corporate entity with individual recipients	879	1.1	554 to 1,214	0.7 to 1.6
Unknown	23,577	30.5	22,048 to 25,106	28.6 to 32.5
Total	<u>77,211</u>	<u>100.0</u>		

a/Less than 0.1 percent.

Table 5

How Fraud Was Discovered

<u>How discovered</u>	<u>Projection to adjusted universe</u>		<u>Estimated ranges of adjusted universe at the 95-percent level of confidence</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Audit	1,946	2.5	1,480 to 2,412	1.9 to 3.1
Inspection	1,122	1.5	639 to 1,605	0.8 to 2.1
Investigation	3,368	4.4	2,833 to 3,903	3.7 to 5.1
Internal compliance or eligibility review	15,039	19.5	14,038 to 16,040	18.2 to 20.8
Federal employee or former Federal employee	26,151	33.9	24,425 to 27,877	31.6 to 36.1
Contractor, grantee, or State/local Government	3,635	4.7	2,977 to 4,293	3.9 to 5.6
Private individual	7,615	9.9	6,505 to 8,725	8.4 to 11.3
Informant or paid informant	2,490	3.2	1,804 to 3,176	2.3 to 4.1
Victim	9,985	12.9	8,608 to 11,362	11.1 to 14.7
Other	3,863	5.0	3,020 to 4,706	3.9 to 6.1
Unknown	1,995	2.6	1,403 to 2,587	1.8 to 3.4
Total	77,211	100.0		

Table 6

Time Elapsed Between Commitment of Fraudulent Act and Discovery or Reporting of Act

<u>Time interval</u>	<u>Projection to adjusted universe</u>		<u>Estimated ranges of adjusted universe at the 95-percent level of confidence</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 3 months	49,246	63.8	47,975 to 50,517	62.1 to 65.4
3 to 6 months	5,244	6.8	4,344 to 6,144	5.6 to 8.0
6 months to 1 year	4,685	6.1	3,852 to 5,518	5.0 to 7.1
1 to 2 years	5,750	7.4	4,830 to 6,670	6.3 to 8.6
More than 2 years	6,769	8.8	5,778 to 7,760	7.5 to 10.1
Unknown	5,514	7.1	4,614 to 6,414	6.0 to 8.3
Total	77,211	100.0		

Table 7Number of Closed Fraud Cases

Number of cases in which fraud occurred	<u>Projection to adjusted universe</u>	<u>Estimated ranges of adjusted universe at the 95-percent confidence level</u>
	72,797	71,873 to 73,721

Table 8Reasons Why Department of Justice and U.S. Attorneys
Declined Prosecution in Closed Cases

<u>Reason why declined</u>	<u>Projection to adjusted universe</u>		<u>Estimated ranges of adjusted universe at the 95-percent level of confidence</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Insufficient evidence for prosecution	1,893	24.1	1,437 to 2,349	18.3 to 30.0
No loss to Federal Govern- ment	320	4.1	169 to 471	2.2 to 6.0
Dollar loss insignificant	741	9.5	379 to 1,103	4.8 to 14.1
Case lacked jury appeal	328	4.2	99 to 557	1.3 to 7.1
Statute of limitations	146	1.9	1 to 350	(a) to 4.5
Insufficient staff resources	16	0.2	1 to 43	(a) to 0.5
Lacked prosecutive merit	950	12.1	708 to 1,192	9.0 to 15.2
No apparent violation of Federal law	24	0.3	4 to 44	0.1 to 0.6
Declined in lieu of administrative action	663	8.5	379 to 947	4.8 to 12.1
Other	1,184	15.1	728 to 1,640	9.3 to 20.9
Unknown	<u>1,577</u>	<u>20.1</u>	1,123 to 2,031	14.3 to 25.9
Total	<u>7,842</u>	<u>100.0</u>		

a/Less than 0.1 percent.

Table 9

Type of Legal Action Taken in Closed Cases

<u>Type of legal action</u>	<u>Projection to adjusted universe</u>		<u>Estimated ranges of adjusted universe at the 95-percent level of confidence</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Civil case	28	0.5	4 to 52	0.1 to 0.9
Criminal case	4,342	73.9	3,588 to 5,096	61.1 to 86.7
Pretrial diversion	682	11.6	424 to 940	7.2 to 16.0
Court-martial case	825	14.0	374 to 1,276	6.4 to 21.7
Total	<u>5,877</u>	<u>100.0</u>		

Table 10

Number of Fraud Cases with Formal Loss Recovery Plan for Federal Employees and Corresponding Recovery Amounts (note a)

	<u>Projection to adjusted universe</u>	<u>Estimated ranges of adjusted universe at the 95-percent level of confidence</u>
Number of fraud cases where a formal loss recovery plan was established for Federal employees	5,466	4,418 to 6,514
Estimated recoveries from formal loss recovery plans	\$5,439,003	\$2,768,978 to \$8,109,028

a/Includes closed and open cases.

Table 11

Number of Fraud Cases with Formal Loss Recovery
Plan for Non-Federal Organizations and Individuals
and Corresponding Recovery Amounts (note a)

	<u>Projection to adjusted universe</u>	<u>Estimated ranges of adjusted universe at the 95-percent confidence level</u>
Number of fraud cases where a formal loss recovery plan was established for non-Federal organizations and individuals	7,365	6,364 to 8,366
Estimated recoveries from formal loss recovery plans	\$17,635,663	0 to \$35,347,903

a/Includes closed and open cases.

NUMBER OF FRAUD CASES IN THE SAMPLE AND UNIVERSE
BY TYPE OF FRAUD

	<u>Sample</u>		<u>Universe</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
<u>Work hour abuses:</u>				
Nonwork during regular time or overtime	26	0.8	48	0.1
Personal activities during working hours	26	0.8	133	0.2
Creating unnecessary overtime	5	0.2	91	0.1
Arriving late and/or leaving early	5	0.2	25	(a)
Noncharge for leave taken	32	1.0	373	0.5
Improperly authorized overtime	3	0.1	5	(a)
Charging sick leave when not sick	11	0.3	169	0.2
Drinking on duty	4	0.1	7	(a)
Gambling on duty	1	(a)	19	(a)
Sexual activity on duty	1	(a)	28	(a)
Altering timecards	19	0.6	185	0.2
Other working hour abuses	<u>11</u>	<u>0.3</u>	<u>96</u>	<u>0.1</u>
Total	<u>144</u>	<u>4.5</u>	<u>1,179</u>	<u>1.5</u>
<u>Private use of Government property:</u>				
Vehicles	44	1.4	266	0.3
Computers	1	(a)	1	(a)
Other equipment	5	0.2	61	0.1
Telephones	29	0.9	211	0.3
Credit cards	13	0.4	37	(a)
Misuse of indicia/franked envelope	17	0.5	60	0.1
Misuse of Government housing	2	0.1	33	(a)
Other private use of Government property	<u>14</u>	<u>0.4</u>	<u>104</u>	<u>0.1</u>
Total	<u>125</u>	<u>3.9</u>	<u>773</u>	<u>1.0</u>
<u>Extortion:</u> (Obtaining money or other property from a person by force, intimidation, or abuse of authority.)				
Extorting money, goods, or favors from employees	4	0.1	19	(a)
Extorting money, goods, or favors from program participants	13	0.4	325	0.4

	<u>Sample</u>		<u>Universe</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
<u>Extortion (con.):</u>				
Extorting money, goods, or favors from contractor	7	0.2	131	0.2
Other extortion	<u>5</u>	<u>0.2</u>	<u>29</u>	<u>(a)</u>
Total	<u>29</u>	<u>0.9</u>	<u>504</u>	<u>0.7</u>
<u>Forgery:</u>				
Altering employment verification	3	0.1	121	0.2
Altering salary or income information	3	0.1	68	0.1
Forging Government checks	17	0.5	315	0.4
Forging personnel documents	12	0.4	158	0.2
Forging certification of school attendance	3	0.1	65	0.1
Forging certification of participation in employment/training programs	4	0.1	87	0.1
Forging travel advance request	3	0.1	18	(a)
Forging Government identification	11	0.3	179	0.2
Forging loan documents data	3	0.1	85	0.1
Other forgery	<u>46</u>	<u>1.4</u>	<u>767</u>	<u>1.0</u>
Total	<u>105</u>	<u>3.3</u>	<u>1,863</u>	<u>2.4</u>
<u>Kickbacks/bribes:</u>				
Issuing license or permit	1	(a)	6	(a)
Changing specifications	1	(a)	13	(a)
Releasing confidential industrial data	1	(a)	19	(a)
Selecting contract award	18	0.6	35	(a)
Accepting short deliveries	8	0.2	42	0.1
Certifying performance of work	2	0.1	8	(a)
Accepting goods not meeting specifications	3	0.1	83	0.1
Obtaining inflated appraisals	1	(a)	4	(a)
Obtaining approval of application for financial aid or guaranty	4	0.1	51	0.1
Certifying satisfactory completion of work or services not done properly	1	(a)	3	(a)

	<u>Sample</u>		<u>Universe</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
<u>Kickbacks/bribes: (con.)</u>				
Providing information not available to other bidders	1	(a)	1	(a)
Improperly creating or increasing Government payment to contractor/grantee	5	0.2	8	(a)
Accepting gifts and gratuities	40	1.2	120	0.2
Deciding favorably on income tax audit	12	0.4	232	0.3
Permitting theft	1	(a)	28	(a)
Permitting smuggling	1	(a)	4	(a)
Other kickbacks/bribes	<u>18</u>	<u>0.6</u>	<u>187</u>	<u>0.2</u>
Total	<u>118</u>	<u>3.7</u>	<u>844</u>	<u>1.1</u>

False statements:

Overstating or understating income, assets, liabilities, or expenses	171	5.3	8,699	11.3
Overstating or understating dependents	33	1.0	1,328	1.7
Falsely verifying employment	11	0.3	383	1.7
Falsely certifying that certain actions had been done or would be done	88	2.7	1,896	0.5
Fictitious consultant fees	2	0.1	4	(a)
Misrepresenting property and its facilities	2	0.1	76	0.1
Submitting false or fictitious cost or other information to obtain contract or grant	43	1.3	193	0.2
Inflating costs in cost-plus contracts	3	0.1	8	(a)
Mislabeled equipment and/or supplies	3	0.1	33	(a)
Inflating costs higher than one would usually charge if costs were not paid for under a Federal program	4	0.1	23	(a)
Cheating on travel expense	115	3.6	1,069	1.4
Improperly creating or increasing amount of Government payment to self or other employees	70	2.2	753	1.0
False disability claims	37	1.1	1,079	1.4
False statement to avoid repayment of loan	1	(a)	10	(a)

	<u>Sample</u>		<u>Universe</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
<u>False statements: (con.)</u>				
False statements impeding investigations	2	0.1	29	(a)
Using multiple social security numbers	4	0.1	241	0.3
Failing to report death of recipients of Federal financial assistance	2	0.1	120	0.2
False statements concerning arrests	43	1.3	905	1.2
False statements concerning date of birth	2	0.1	93	0.1
False statements concerning marital status	34	1.1	1,456	1.9
Inflating contract costs	4	0.1	13	(a)
False statements on certification of participation in employment/training programs	13	0.4	121	0.2
Falsification of medical data	3	0.1	45	0.1
Falsification of enlistment data	44	1.4	832	1.1
Submitting false test/inspection results	2	0.1	7	(a)
Failing to report termination of participation in education/training program	15	0.5	558	0.7
False loan application or false statements made on loan application	17	0.5	165	0.2
Other false statements	<u>37</u>	<u>1.1</u>	<u>510</u>	<u>0.7</u>
Total	<u>805</u>	<u>24.9</u>	<u>20,649</u>	<u>26.7</u>

Nonperformance of contract terms:

Shortage in goods delivered	7	0.2	74	0.1
Goods delivered of a lower quality than those ordered	15	0.5	48	0.1
Perishable goods delivered after expiration date	2	0.1	6	(a)
Failure to submit financial and other reports required under terms of grant/contract or Federal regulations	3	0.1	19	(a)
Improper use of Government property	3	0.1	6	(a)

	<u>Sample</u>		<u>Universe</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
<u>Nonperformance of contract terms: (con.)</u>				
Improper expenditure of Govern- ment loan, grant, or subsidy funds	41	1.3	166	0.2
Nonperformance of contracted services	8	0.2	96	0.1
Partial performance of contracted services	5	0.2	12	(a)
Other nonperformance of contract terms	<u>5</u>	<u>0.2</u>	<u>20</u>	<u>(a)</u>
Total	<u>89</u>	<u>2.8</u>	<u>447</u>	<u>0.6</u>

Theft:

Cash	157	4.9	3,768	4.9
Noncash financial instruments	6	0.2	164	0.2
Supplies	114	3.5	2,575	3.3
Equipment	565	17.5	10,981	14.2
Mail	177	5.5	3,915	5.1
Vehicles	14	0.4	401	0.5
Drugs	9	0.3	128	0.2
Credit cards	5	0.2	119	0.2
Coupons	5	0.2	93	0.1
Other	83	2.6	2,451	3.2
Government checks	29	0.9	785	1.0
Documents	6	0.2	169	0.2
Nuclear equipment/supplies	1	(a)	5	(a)
ID cards	12	0.4	331	0.4
Ordnance	10	0.3	700	0.9
Personal property	117	3.6	9,143	11.8
Cash and personal property	1	(a)	87	0.1
Supplies and personal property	2	0.1	171	0.2
Equipment and personal property	17	0.5	1,446	1.9
Other and personal property	<u>1</u>	<u>(a)</u>	<u>85</u>	<u>0.1</u>
Total	<u>1331</u>	<u>41.2</u>	<u>37,517</u>	<u>48.6</u>

Miscellaneous fraudulent activities

Favoritism in hiring, promoting, or assigning work	8	0.2	37	(a)
Inadequate inspection/acceptance of goods or services received	1	(a)	85	0.1
Awarding contracts for unneeded work	1	(a)	1	(a)

	<u>Sample</u>		<u>Universe</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
<u>Miscellaneous fraudulent activities: (con.)</u>				
Disclosure of confidential nondefense information	11	0.3	212	0.3
Conflict of interest	52	1.6	209	0.3
Noncompliance with regulations	64	2.0	931	1.2
Collusion in bidding on contracts	7	0.2	17	(a)
Destroying Government property	39	1.2	1,890	2.4
Writing checks with insufficient funds	51	1.6	1,180	1.5
Failing to use loan proceeds for intended purposes	10	0.3	88	0.1
Impersonating Government employ- ees	3	0.1	29	(a)
Disposing of loan collateral	36	1.1	468	0.6
Improprieties on income tax returns by IRS employees	8	0.2	155	0.2
Mishandling mail	1	(a)	28	(a)
Misusing Government benefit facilities/services	16	0.5	268	0.3
Selling ineligible items for food stamps	86	2.7	5,363	6.9
Trafficking in food stamps/ATP cards	24	0.7	663	0.9
Selling forged documents	1	(a)	28	(a)
Destroying personal property	3	0.1	256	0.3
Other	59	1.8	1,526	2.0
Total	<u>481</u>	<u>14.9</u>	<u>13,434</u>	<u>17.4</u>
Total	<u>3227</u>	<u>100.0</u>	<u>77,211</u>	<u>100.0</u>

a/Less than 0.1 percent.

METHODOLOGY FOR ESTIMATING THE COST OF FRAUD
COMMITTED AGAINST THE GOVERNMENT

Of the 77,211 cases of known or detected fraud, 28,390 cases or 37 percent of the total cases did not result in a monetary loss while 48,819 cases or 63 percent of the total cases did result in a loss. This appendix explains the methodology used in estimating the cost of fraud for the 48,819 cases.

For each fraud case in our sample, we collected information from the case files about monetary losses. If a specific monetary loss was shown in the case file, we recorded that. If a specific loss was not shown but sufficient information was available in the case file to determine the approximate loss, we recorded the loss in one of the following dollar ranges: \$100 or less; \$101 to \$1,000; \$1,001 to \$10,000; \$10,001 to \$100,000; \$100,001 to \$500,000; \$500,001 to \$1 million; and over \$1 million. If sufficient information was not available to determine the loss and a monetary loss did occur, we recorded that a loss was involved but we were unable to estimate it from the information in the case file. For these cases, we assigned an average loss based on the loss data obtained from those cases in which the specific or approximate loss was available.

The following table shows the fraud cases with a specific loss, an approximate loss, and an assigned loss.

Table 1
Fraud Cases With Monetary Losses

<u>Category</u>	<u>Number</u>	<u>Percent</u>	<u>Monetary loss</u>	
			<u>Amount</u>	<u>Percent</u>
Specific loss cases	39,514	80.9	\$115,655,754	61.9
Approximate loss cases	3,442	7.1	48,852,123	26.1
Assigned loss cases	<u>5,863</u>	<u>12.0</u>	<u>22,456,834</u>	<u>12.0</u>
Total	<u>48,819</u>	<u>100.0</u>	<u>\$186,964,711</u>	<u>100.0</u>

The total loss for all 48,819 cases with a monetary loss was derived in the following manner. Cases with a specific monetary loss were classified according to the ranges used for the cases with an approximate loss. The average loss for all specific loss cases within each range was then calculated. This was done by dividing the monetary loss for the cases with a specific loss by the number of cases in that range (for example, \$257,866 - 5,288 cases = \$49 per case in the range of \$100 or less). All approximate loss cases within a given range were assigned the average loss calculated in each range for the specific loss cases. The 972 cases within the range of \$100 or less were assigned a \$49 loss because \$49 was the average loss per case for the 5,288 cases with

a specific loss of \$100 or less. We next calculated the losses for the assigned cases in which we were unable to estimate the loss from the information in the case files. This was done by combining the total loss for the specific loss cases (39,514 cases) with the total loss for the approximate loss cases (3,442 cases) and then dividing that loss figure (\$164,507,877) by the total number of specific loss and approximate loss cases (42,956 cases). This resulted in an average loss per case of \$3,830 for the 5,863 assigned cases or a total loss of \$22,456,834. The dollar ranges, the number of specific loss and approximate loss cases in each range, the number of assigned loss cases, and the average loss per case are shown in the following table.

Table 2

Ranges of Monetary Loss for the Cases with a
Specific and an Approximate Loss

<u>Range</u>	<u>Number of cases</u>	<u>Total monetary loss</u>	<u>Average loss per case</u>
Cases with a specific loss:			
\$100 or less	5,288	\$ 257,866	\$ 49
\$101 to \$1000	20,010	8,637,598	432
\$1,001 to \$10,000	12,521	40,131,814	3,205
\$10,001 to \$100,000	1,608	36,053,676	22,417
\$100,001 to \$500,000	72	12,528,405	173,238
\$500,001 to \$1 million	3	1,568,195	572,000
Over \$1 million	<u>11</u>	<u>16,478,200</u>	<u>1,445,000</u>
Total	<u>39,514</u>	<u>\$115,655,754</u>	a/\$ <u>2,927</u>
Cases with an approximate loss:			
\$100 or less	972	\$ 47,642	\$ 49
\$101 to \$1,000	1,459	630,312	432
\$1,001 to \$10,000	581	1,863,508	3,205
\$10,001 to \$100,000	303	6,802,122	22,417
\$100,001 to \$500,000	98	17,055,711	173,238
\$500,001 to \$1 million	19	11,021,867	572,000
Over \$1 million	<u>8</u>	<u>11,430,961</u>	<u>1,445,000</u>
Total	<u>3,442</u>	<u>\$ 48,852,123</u>	a/\$ <u>14,193</u>
Cases with an assigned loss:	<u>5,863</u>	<u>22,456,834</u>	<u>3,830</u>
Total for all cases	<u>48,819</u>	<u>\$186,964,711</u>	<u>\$ 3,830</u>

a/These average losses per case are different because a larger percentage of the cases with an approximate loss are in the ranges over \$10,000.

MULTIPLE ADMINISTRATIVE ACTIONS TAKEN
AGAINST ONE OR MORE FEDERAL EMPLOYEES

Table 1

Schedule Summary

<u>Number of employees in actions taken</u>	<u>Number of cases</u>	<u>Percent</u>
One	3,373	77.6
Two to five	842	19.4
Six to twenty	53	1.2
Unknown	<u>77</u>	<u>1.8</u>
Total	<u>4,345</u>	<u>100.0</u>

Table 2

Multiple Administrative Actions Taken
Against One Federal Employee

<u>Types of administrative action (note a)</u>	<u>Number of cases</u>	<u>Percent</u>
Dismissed and suspended	196	5.8
Dismissed and demoted	54	1.6
Dismissed and formal loss recovery plan	566	16.8
Suspended and issued warning letter	36	1.1
Suspended and demoted	26	0.8
Suspended and transferred	114	3.4
Suspended and formal loss recovery plan	61	1.8
Issued warning letter and letter of counseling	3	0.1
Issued warning letter and oral warning	58	1.7
Issued warning letter and transferred	33	1.0
Issued warning letter and formal loss recovery plan	103	3.1
Issued warning letter, letter of counsel- ing, and oral warning	31	0.9
Issued letter of counseling and trans- ferred	31	0.9
Issued letter of counseling and formal loss recovery plan	33	1.0
Issued oral warning and transferred	13	0.4
Issued oral warning and formal loss recovery plan	84	2.5
Demoted and transferred	3	0.1
Demoted and formal loss recovery plan	41	1.2
Transferred and formal loss recovery plan	101	3.0

<u>Types of administrative action (note a)</u>	<u>Number of cases</u>	<u>Percent</u>
Dismissed, suspended, and formal loss recovery plan	13	0.4
Dismissed and other action	109	3.2
Suspended and resigned pending dismissal	197	5.8
Suspended, demoted, and formal loss recovery plan	139	4.1
Demoted and other action	20	0.6
Issued warning letter and other action	20	0.6
Issued letter of counseling and unknown action	4	0.1
Issued oral warning, demoted, and transferred	28	0.8
Demoted and extra duty (military)	124	3.7
Demoted and resigned pending dismissal	3	0.1
Demoted, transferred, and formal loss recovery plan	14	0.4
Demoted and other action	13	0.4
Formal loss recovery plan and other duty (military)	85	2.5
Formal loss recovery plan and resigned pending dismissal	88	2.6
Formal loss recovery plan and other action	87	2.6
Formal loss recovery plan and unknown action	87	2.6
Resigned and other action	38	1.1
Dismissed, suspended, and other action	13	0.4
Dismissed, demoted, and other action	85	2.5
Suspended, demoted, and other action	98	2.9
Suspended, formal loss recovery plan, and resigned pending dismissal	27	0.8
Suspended, formal loss recovery plan, and other action	3	0.1
Issued oral warning, formal loss recovery plan, and resigned pending dismissal	43	1.3
Demoted, formal loss recovery plan, and extra duty (military)	169	5.0
Demoted, formal loss recovery plan, and other action	99	2.9
Suspended, issued oral warning, transferred, and other action	85	2.5
Suspended, demoted, formal loss recovery plan, and extra duty (military)	85	2.5
Issued warning letter, oral warning, formal loss recovery plan, and extra duty (military)	13	0.4
Total	<u>3,373</u>	<u>100.0</u>

a/Multiple administrative actions were not necessarily taken in the sequence shown.

Table 3

Multiple Administrative Actions Taken
Against Two to Five Federal Employee

<u>Types of administrative action (note a)</u>	<u>Number of cases</u>	<u>Percent</u>
Dismissed and suspended	2	0.2
Dismissed and issued letter of counseling	1	0.1
Dismissed, issued letter of counseling, and formal loss recovery plan	26	3.1
Dismissed and demoted	85	10.1
Dismissed and formal loss recovery plan	14	1.7
Suspended and issued letter of counseling	13	1.5
Suspended and demoted	1	0.1
Suspended and formal loss recovery plan	56	6.7
Issued warning letter and formal loss recovery plan	29	3.4
Issued letter of counseling and formal loss recovery plan	28	3.3
Issued oral warning and formal loss recovery plan	85	10.1
Demoted and formal loss recovery plan	26	3.1
Dismissed, suspended, and formal loss recovery plan	1	0.1
Suspended and resigned pending dismissal	5	0.6
Suspended, issued warning letter, and formal loss recovery plan	13	1.5
Suspended, demoted, and transferred	23	2.7
Demoted and extra duty (military)	17	2.0
Demoted and other action	13	1.5
Formal loss recovery plan and extra duty (military)	13	1.5
Formal loss recovery plan and resigned pending dismissal	1	0.1
Formal loss recovery plan and unknown action	92	10.9
Extra duty (military) and unknown action	4	0.5
Dismissed, issued warning letter, demoted, and transferred	1	0.1
Other action and unknown action	13	1.5
Dismissed, demoted, formal loss recovery plan, and extra duty (military)	85	10.1
Formal loss recovery plan, other action, and unknown action	13	1.5
Dismissed, demoted, transferred, and formal loss recovery plan	85	10.1
Issued warning letter, issued letter of counseling, issued oral warning, demoted, transferred, and other action	13	1.5
Dismissed, suspended, demoted, formal loss recovery plan, extra military duty, and other action	85	10.1
Total	842	100.0

a/Multiple administrative actions not necessarily taken in the sequence shown.

Table 4Multiple Administrative Actions Taken
Against Six To Twenty Federal Employees

<u>Types of administrative action (note a)</u>	<u>Number of cases</u>	<u>Percent</u>
Dismissed and issued oral warning	13	25.0
Suspended, issued warning letter, and issued oral warning	13	25.0
Suspended, issued warning letter, and other action	13	25.0
Suspended, issued oral warning, demoted, and other action	<u>13</u>	<u>25.0</u>
Total	<u>53</u>	<u>100.0</u>

a/Multiple administrative actions not necessarily taken in the sequence shown.

Table 5Multiple Administrative Actions Taken Against Unknown
Number of Federal Employees (note a)

<u>Types of administrative action (note b)</u>	<u>Number of cases</u>	<u>Percent</u>
Transferred and other action	55	70.7
Formal loss recovery plan and other action	<u>23</u>	<u>29.3</u>
Total	<u>77</u>	<u>100.0</u>

a/Agency files did not show the specific number of employees involved in the fraud, but showed that it was more than one.

b/Multiple administrative actions not necessarily taken in the sequence shown.

MULTIPLE ADMINISTRATIVE ACTIONS TAKEN AGAINST
NON-FEDERAL GOVERNMENT ORGANIZATIONS
AND/OR INDIVIDUALS

Table 1

Summary Schedule

<u>Number involved in actions taken</u>	<u>Number of cases</u>	<u>Percent</u>
Organizations:		
One	326	13.2
Two	4	0.2
Three to ten	4	0.2
Eleven or more	-	-
Unknown	1	(a)
Individuals:		
One	1,725	70.1
Two	<u>401</u>	<u>16.3</u>
Total	2,461	100.0
Overlap--administrative actions taken against both non-Federal Government organizations and individuals		
	<u>(-76)</u>	<u>(a)</u>
Total	<u>2,385</u>	<u>100.0</u>

a/Less than 0.1 percent.

Table 2

Types of Multiple Administrative Actions Taken Against Non-Federal Government Organizations

Types of administrative action (note a)	Number of organizations involved									
	One organization		Two organizations		Three or more organizations		Unknown number of organizations		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Suspended from doing business with the Federal Government and formal loss recovery plan	3	0.9	0	-	0	-	0	-	3	0.9
Debarred from doing business with the Federal Government and contract/grant canceled	0	-	0	-	3	75.0	0	-	3	0.9
Debarred from doing business with the Federal Government and formal loss recovery plan	5	1.5	0	-	0	-	0	-	5	1.5
Contract/grant canceled and formal loss recovery plan	52	16.0	0	-	0	-	0	-	52	15.6
Contract/grant canceled and reimbursement negotiated	0	-	0	-	1	25.0	0	-	1	0.3
Issued warning and formal loss recovery plan; corrective action agreed to	100	30.9	0	-	0	-	1	100.0	101	30.3
Issued warning, corrective action agreed to, and reimbursement negotiated	58	17.9	0	-	0	-	0	-	58	17.4
Suspended from doing business with the Federal Government, issued warning, formal loss recovery plan, and corrective action agreed to	23	7.1	0	-	0	-	0	-	23	6.9
Formal loss recovery plan and unknown action	5	1.5	0	-	0	-	0	-	5	1.5
Declared ineligible for program participation under status claimed and other action	74	22.8	4	100.0	0	-	0	-	78	23.4
Suspended from doing business with the Federal Government, debarred from doing business with the Federal Government, formal loss recovery plan, and contract/grant canceled	4	1.2	0	-	-	-	0	-	4	1.2
Total	<u>324</u>	<u>100.0</u>	<u>4</u>	<u>100.0</u>	<u>4</u>	<u>100.0</u>	<u>1</u>	<u>100.0</u>	<u>333</u>	<u>100.0</u>

a/Multiple administrative actions not necessarily taken in the sequence shown.

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APPENDIX VIII

APPENDIX VIII

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